

# **UK aid for sustainable cities**

A review

**July 2024**

**The Independent Commission for Aid Impact** works to improve the quality of UK development assistance through robust, independent scrutiny. We provide assurance to the UK taxpayer by conducting independent reviews of the effectiveness and value for money of UK aid.

We operate independently of government, reporting to Parliament, and our mandate covers all UK official development assistance.

### Overall review scores and what they mean

**GREEN**

Strong achievement across the board. Stands out as an area of good practice where UK aid is making a significant positive contribution.

**AMBER/  
RED**

Unsatisfactory achievement in most areas, with some positive elements. An area where improvements are required for UK aid to make a positive contribution.

**GREEN/  
AMBER**

Satisfactory achievement in most areas, but partial achievement in others. An area where UK aid is making a positive contribution, but could do more.

**RED**

Poor achievement across most areas, with urgent remedial action required in some. An area where UK aid is failing to make a positive contribution.

**OGL**

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We find that UK aid for sustainable cities generally focuses on areas of comparative advantage, and that the portfolio is broadly aligned with Sustainable Development Goal 11. However, a lack of strategic direction has led to missed opportunities to leverage the UK’s strengths. Some UK technical assistance grants are supporting cities in middle-income countries which may be able to finance the assistance themselves. Although the climate relevance of urban development work has increased, more focus is needed on climate adaptation and there are only isolated examples of programmes using nature-based solutions. The UK is making efforts to align its urban development work with the national, subnational and local priorities of the countries where it is delivering aid. However, many interventions lack targeted pro-poor interventions and do not focus sufficiently on how they will benefit the poor. We found that the UK has been particularly strong in providing services for urban development such as planning, feasibility studies, local revenue administration and expenditure management, and data collection. We found examples of UK support resulting in a stronger focus on social inclusion and resilience in urban planning. The UK also has a good track record of supporting the incorporation of citizen voice into planning. We saw strong examples of the Foreign, Commonwealth and Development Office funding demonstration projects and helping to develop innovative financing structures, with the potential to mobilise further private investment in sustainable cities, but little evidence of market-building. Despite the relevance and effectiveness of much of the sustainable cities portfolio, we found that fragmentation across programmes and investments hinders coordinated action and effective delivery of aid. There is a lack of effective coordination between UK departments and in-country teams delivering aid for sustainable cities. The ability of embassies and high commissions to deliver demand-driven and context-specific programming is also variable, given the overall shortage of specialist urban and infrastructure advisers. We also found that the UK has failed to communicate clearly on its objectives and comparative advantage on sustainable cities, which undermines more systematic collaboration.

### Individual question scores

|   |   |   |
|---|---|---|
| 1 | <b>Relevance:</b> Does the UK have a clear and credible approach to promoting sustainable cities that aligns with its broader objectives? |  |
| 2 | <b>Effectiveness:</b> How effectively is the UK’s support for urban programmes achieving its intended results on sustainable cities?      |  |
| 3 | <b>Coherence:</b> How coherent is the UK’s approach to promoting sustainable cities?  |  |

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# Acronyms and glossary

| Acronyms          |   |
|-------------------|---|
| <b>BEIS</b>       | Department for Business, Energy and Industrial Strategy (dissolved in February 2023 and separated out into the Department for Energy Security and Net Zero, the Department for Science, Innovation and Technology, and the Department for Business and Trade) |
| <b>BII</b>        | British International Investment (formerly CDC Group)   |
| <b>BIP</b>        | British Investment Partnerships   |
| <b>CSO</b>        | Civil Society Organisation  |
| <b>DAC</b>        | Development Assistance Committee of the Organisation for Economic Co-operation and Development  |
| <b>Defra</b>      | Department for Environment, Food and Rural Affairs  |
| <b>DFID</b>       | Department for International Development (merged with the Foreign and Commonwealth Office in September 2020)  |
| <b>DESNZ</b>      | Department for Energy Security and Net Zero   |
| <b>DLUCH</b>      | Department for Levelling Up, Housing and Communities  |
| <b>DSIT</b>       | Department for Science, Innovation and Technology   |
| <b>FCO</b>        | Foreign and Commonwealth Office (merged with the Department for International Development in September 2020)  |
| <b>FCDO</b>       | Foreign, Commonwealth and Development Office (created through the merger of the Foreign and Commonwealth Office and the Department for International Development in September 2020)   |
| <b>G7</b>         | The Group of Seven, an international forum consisting of the UK, Canada, France, Germany, Italy, Japan and the US.  |
| <b>HMG</b>        | His Majesty's Government  |
| <b>ICF</b>        | International Climate Finance   |
| <b>NBS</b>        | Nature-based solutions  |
| <b>NDC</b>        | Nationally Determined Contribution  |
| <b>NGO</b>        | Non-governmental organisation   |
| <b>ODA</b>        | Official Development Assistance   |
| <b>PIDG</b>       | Private Infrastructure Development Group  |
| <b>UN Habitat</b> | United Nations Human Settlements Programme  |

## Glossary of key terms

|   |  |
|---|--|
| <b>Bilateral aid</b>                          | Bilateral aid represents flows from official (government) sources directly to the recipient country.   |
| <b>Centrally managed programme</b>            | ODA-funded programme that is managed from FCDO headquarters in the UK.   |
| <b>Climate adaptation</b>                     | Climate adaptation refers to changes to processes, practices and structures in order to adjust to the current or expected effects of climate change.   |
| <b>Climate mitigation</b>                     | Climate mitigation encompasses actions taken to limit climate change by reducing emissions of greenhouse gases or removing those gases from the atmosphere.  |
| <b>Climate resilience</b>                     | Climate resilience refers to the capacity or ability to anticipate and recover from climatic events or impacts in a timely and efficient manner.   |
| <b>Development Assistance Committee (DAC)</b> | The OECD Development Assistance Committee is an international forum of many of the largest providers of aid. The DAC currently has 32 members and its objective is to promote development co-operation in order to contribute to the implementation of the 2030 Agenda for Sustainable Development.  |
| <b>Imputed share of multilateral ODA</b>      | The share of the UK's core contributions in support of a multilateral organisation that have gone to a recipient country or sector. In this case, we use imputed multilateral to signify the share of the UK's core multilateral contributions that have funded activities badged as 'Urban Development and Management'.   |
| <b>Informal settlement</b>                    | Informal settlements are residential areas where inhabitants have no security of tenure, occupying land or buildings which are legally owned by other individuals or the government. In addition to lack of tenure, the United Nations Human Settlements Programme also characterises informal settlements as neighbourhoods that lack access to basic services with housing that may not comply with current planning and building regulations. |
| <b>Market</b>                                 | A mechanism through which economic agents interact to exchange goods and services during which price is determined.  |
| <b>Market building</b>                        | Deliberate interventions by national governments or international organisations to create or strengthen markets to promote inclusive and sustainable economic growth.  |
| <b>Market development</b>                     | The expansion of existing markets or creation of new markets that positively supports inclusive and sustainable economic growth.   |
| <b>Multilateral aid</b>                       | A multilateral organisation is an international organisation whose membership is made up of member governments which are its primary source of funds. Multilateral aid is delivered through international institutions such as the World Bank.   |
| <b>Multi-bi</b>                               | A donor can contract a multilateral agency to deliver a programme or project on its behalf in a recipient country: the funds are typically counted as bilateral flows, and often referred to as multi-bi.  |
| <b>Nature-based solutions</b>                 | Nature-based solution is an umbrella term for interventions that are designed to protect, sustainably manage, or restore natural ecosystems and address societal challenges such as climate change, human health, and food and water security, simultaneously providing human well-being and biodiversity benefits.  |

## Glossary of key terms

### **Slum upgrading**

Slums are considered a specific type of informal settlement, defined by UN Habitat as the most excluded form of informal settlements, characterised by poverty and large agglomerations of dilapidated housing, and often located in the most hazardous urban land. The United Nations Human Settlements Programme defines slum households as suffering from one or more of the following: 1) Lack of access to improved water source, 2) Lack of access to improved sanitation facilities, 3) Lack of sufficient living area, 4) Lack of housing durability and 5) Lack of security of tenure. Slum upgrading is a key component of Sustainable Development Goal 11.1, which aims to “ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums”.

# Executive summary

According to the UN, more than two-thirds of the global population will reside in cities by 2050, with rapid growth of urban populations in Asia and Africa.<sup>1</sup> Well-managed urbanisation can drive national development by boosting productivity and accelerating economic growth. However, rapid unplanned urbanisation poses major risks, including informal and poorly serviced housing settlements, environmental degradation, unemployment and poverty. Urbanisation is also a significant driver of climate change, contributing to increased greenhouse gas emissions through altered land-use patterns and changes in energy consumption. Cities are therefore at the heart of global sustainability efforts, as recognised in the 2030 Sustainable Development Agenda and the Paris Agreement. Sustainable Development Goal (SDG) 11 has set an objective to create “inclusive, safe, resilient, and sustainable” cities and communities, with a focus on ensuring access to basic services, energy, housing, transport and green spaces.

Promoting sustainable cities has been part of UK development assistance for many years, accounting for an estimated £1.3 billion in bilateral and multilateral aid between 2015 and 2022, including development investment. The Foreign, Commonwealth and Development Office (FCDO) and its predecessors, the Department for International Development (DFID) and the Foreign and Commonwealth Office (FCO), accounted for the majority of this spending. However, UK support to sustainable cities has also been delivered by several other departments, including the former Department for Business, Energy and Industrial Strategy (BEIS), the Department for Environment, Food and Rural Affairs (Defra), and the UK’s development finance institution, British International Investment (BII, formerly CDC Group).

The purpose of this review is to assess the relevance, coherence and effectiveness of this support, from an environmental, social and economic perspective. The review builds on previous ICAI work, including a 2018 review of DFID’s transport and urban infrastructure programmes and a number of reviews of the UK’s international climate finance. Our methodology included country case studies of UK programming in Indonesia and South Africa.

**Relevance:** Does the UK have a clear and credible approach to promoting sustainable cities that aligns with its broader objectives?

Since 2015, the UK’s support for sustainable cities has diversified away from an early focus on urban infrastructure and slum improvement to a wider portfolio of programmes covering urban planning, transport, economic growth and climate resilience. We find that the UK generally focuses on areas where it has a comparative advantage, and that the portfolio is broadly aligned with SDG 11. Early in our review period, DFID produced, but did not publish *Sustainable cities for growth policy framework*, which outlined an approach to urban development. Later policies and strategies show less of a focus on cities until the *2023 UK International climate finance strategy*,<sup>2</sup> which includes “sustainable cities, infrastructure and transport” as one of its four pillars. The recently published *White paper on international development (2023)*<sup>3</sup> includes a commitment to “work with cities to create infrastructure services that are resilient and sustainable (SDG 11) and help realise their potential to drive growth and create jobs”.

Between 2015 and 2022, we found a growing lack of clarity on the UK’s approach to sustainable cities, including its comparative advantage and objectives. The lack of strategic direction has led to missed opportunities to leverage the UK’s strengths, such as in mobilising finance. From around 2019, FCDO made a decision to disengage from affordable housing while continuing to invest through BII and the Private Infrastructure Development Group (PIDG), but without a clear plan for targeting those on incomes below levels usually acceptable to commercial investors. Some UK technical assistance grants are supporting cities in middle-income countries, which may be able to finance the assistance themselves, although there may also be non-financial benefits associated with the grants such as access to UK networks. The UK’s stated objective of working in secondary cities has the potential to make a distinctive and influential contribution, but in practice the UK has made little progress in systematically

1 *World urbanization prospects: The 2018 revision final report*, United Nations Department of Economic and Social Affairs, 2019, [link](#).

2 *Together for people and planet: UK International climate finance strategy*, HM Government, 2023, p. 27, [link](#).

3 *International development in a contested world: ending extreme poverty and tackling climate change: A white paper on international development*, Foreign, Commonwealth and Development Office, 2023, [link](#).



integrating this across the portfolio, despite some good individual interventions. The lack of strategic direction has made it increasingly difficult to ensure relevance across a portfolio distributed between different departments and focus areas, without a shared overall purpose.

Although the UK's work on urban development has not traditionally had a strong climate focus, its climate relevance has increased. So far, most of the climate-related programming has had a mitigation focus – that is, helping to reduce emissions – rather than adaptation (helping cities deal with the impacts of climate change, such as more extreme weather). UK officials working on sustainable cities recognise this imbalance and recent programme designs pay greater attention to adaptation. One area where the UK has failed to invest is in 'nature-based solutions',<sup>4</sup> other than some isolated projects, although the UK has identified this as an area for future investment.

The UK is making efforts to align its urban development work with national, subnational and local priorities. Several programmes designed earlier in our review period had made efforts to incorporate the views of local communities and stakeholders. However, the UK's sustainable cities portfolio has shown a declining focus on poverty reduction over time. Many interventions lack targeted pro-poor interventions and do not focus sufficiently on how they will benefit the poor.

We award a **green-amber** score for relevance on the basis that programming is generally aligned with stakeholder needs and priorities, while noting a significant risk to this rating in the absence of a clearer strategic direction for the portfolio.

#### **Effectiveness:** How effectively is the UK's support for urban programmes achieving its intended results on sustainable cities?

The UK has been particularly strong in providing services for urban development such as planning, feasibility studies and data collection. The UK has helped cities improve their master plans and strategies, which has helped shape investment plans. Several programmes have helped improve access to good-quality local data, which have informed the development of water, energy and other resources. The UK has also helped improve local revenue administration and expenditure management. We found examples of UK support resulting in a stronger focus on social inclusion and resilience in urban planning. The UK also has a good track record of supporting the incorporation of citizen voice into planning.

However, evidence of concrete results from these upstream services was not easy to find. A lack of consistent results reporting meant that there were relatively low amounts of data on the effectiveness of a diverse portfolio. In some cases, it is still too early to identify results on the ground.

We saw strong examples of FCDO investing in demonstration projects and helping to develop innovative financing structures, with the potential to mobilise further private investment in sustainable cities. For example, FCDO was instrumental in supporting the issue of Kenya's first green bond, which will help to develop broader green bond markets for the country. UK development finance has also supported innovative investments in affordable housing that have helped leverage private finance into urban housing.

The Africa Cities Research Programme has completed initial studies to identify priorities in participating cities. These provide a foundation for future work investigating the political economy of cities, cities as systems, and specific sectors such as affordable housing. However, the programme is not yet advanced enough to allow for a judgement on effectiveness.

Overall, despite scarce results data, we heard sufficient positive feedback from city officials and other stakeholders and saw enough evidence of improvements in city governance and urban planning to award a **green-amber** score for effectiveness.

#### **Coherence:** How coherent is the UK's approach to promoting sustainable cities?

Fragmentation across the UK's programmes and investments on sustainable cities hinders coordinated action and effective delivery of aid. There is no single entity responsible for overseeing UK aid for sustainable cities,

<sup>4</sup> Nature-based solutions are actions to protect, manage or restore ecosystems and to address societal and development challenges, simultaneously delivering human as well as biodiversity benefits.

nor a clear allocation of roles and responsibilities, either within FCDO or across departments. Programming is distributed across several departments, notably the Department for Energy Security and Net Zero, the Department for Science, Innovation and Technology (formerly BEIS) and, to a smaller extent, Defra. This fragmentation increases the time and resources needed to communicate and coordinate activity.

The coherence of sustainable cities programming has been further diminished by aid budget reductions and the FCDO merger. We found a lack of readily available information about which urban programmes had been cut back, delayed or terminated. While the FCDO merger presented an opportunity to rationalise UK aid for sustainable cities under one banner, it also created new coordination challenges and resulted in some loss of expertise.

There is a lack of effective coordination between UK departments and in-country teams delivering aid for sustainable cities. The ability of embassies to deliver demand-driven and context-specific programming is also variable, given an overall shortage of specialist urban and infrastructure advisers.

The creation of British Investment Partnerships, a government initiative to mobilise UK expertise and development finance, has provided a platform for coordination with the potential to support a more joined-up approach to funding sustainable cities. There is potential for more structured engagement between FCDO and BII on their respective approaches to sustainable cities.

The number of infrastructure and urban advisers in FCDO has declined in recent years. A new Centre of Expertise in the area is intended to fill the gap in expertise, but is still in the early stages of development.

The UK generally collaborated well with other development partners in its programming. However, it has failed to communicate clearly on its objectives and comparative advantage on sustainable cities, which undermines more systematic collaboration. The UK's engagement with partners has also been undermined by a lack of continuity in personnel.

We award an **amber-red** score for coherence. UK aid for sustainable cities is not being managed as a coherent whole, and the UK failed to communicate its approach to partners, which hinders collaboration.

## Recommendations

**Recommendation 1:** The UK needs to conduct a portfolio-wide evaluation of its interventions to support sustainable cities to better understand what has been effective, both in central and country-based programming, and to assure value for money.

**Recommendation 2:** Following the portfolio evaluation, FCDO should convene UK departments and external partners in a collective strategic planning process for sustainable cities work.

**Recommendation 3:** British International Investment (BII) and the Private Infrastructure Development Group (PIDG) should develop a credible model for supporting affordable housing for people in the bottom 40% income category in any country, drawing on learning from other development finance institutions and the development capital portfolio.

**Recommendation 4:** The UK should better align its technical assistance in urban settings with securing private and public finance.

**Recommendation 5:** The UK should rebalance its investments in climate action in urban settings towards climate adaptation (relative to mitigation).

**Recommendation 6:** The UK should support development and investment in urban nature-based solutions (NBS) as a key solution for climate adaptation and resilience in developing countries.

**Recommendation 7:** The UK should develop mechanisms for seeking reimbursement or co-finance in cash or kind from the partner country for its technical advisory services for sustainable cities in upper- and lower-middle-income countries.

# 1. Introduction

- 1.1 Cities are central to development and poverty reduction. The clustering of people, businesses, industries and services in well-run cities promotes innovation, entrepreneurship and productivity growth. It generates prosperity not just for urban populations, but also for rural and semi-rural areas, through complex economic and social networks.<sup>5</sup> However, rapid, unplanned urbanisation poses major risks to the development process, including the development of informal and poorly serviced housing settlements, environmental degradation, unemployment, poverty and inequality.<sup>6</sup> Poorly planned cities are also more vulnerable to the impacts of climate change. Ensuring that cities deliver on the promise of sustainable development requires the right mix of public and private investment and supporting laws and institutions. **Box 1** sets out key international commitments on promoting sustainable cities.
- 1.2 Support for urban development is a longstanding element of UK development assistance. This review assesses UK aid in support of sustainable cities, from an economic, social and environmental perspective. It covers the period since 2015, when the UK adopted a commitment to scaling up support for urban development, “with a focus on harnessing the opportunities of cities as engines of growth that can support job creation and poverty reduction”.<sup>7</sup> It includes aid-funded programmes, research, and development investment, including through British International Investment (BII, formerly CDC Group) and the Private Infrastructure Development Group (PIDG), both of which provide investment finance to companies involved in urban development. The review also covers the UK’s policy engagement and international advocacy on sustainable cities and its efforts to mobilise other sources of development finance.
- 1.3 The Foreign, Commonwealth and Development Office (FCDO), together with its predecessor departments, the Department for International Development (DFID) and the Foreign and Commonwealth Office (FCO), is the primary spending department for the sustainable cities portfolio. However, a number of other departments and bodies also contributed to the portfolio over the review period, including the Department for Environment, Food and Rural Affairs (Defra), the Department of Energy Security and Net Zero (DESNZ) and the former Department for Business, Energy, and Industrial Strategy (BEIS).
- 1.4 The review examines the relevance, effectiveness and coherence of the sustainable cities portfolio. Our review questions are summarised in **Table 1**.

## Box 1: How this review relates to international agreements for sustainable cities

### SDG 11: Sustainable cities and communities



The 17 Sustainable Development Goals (SDGs) are a universal call to action to end poverty, protect the planet, and ensure that all people enjoy peace and prosperity. Comprising ten targets, SDG 11 focuses on cross-cutting sectors within sustainable urbanisation, including housing, transport, green public spaces, disaster risk reduction, environmental management and cultural heritage. It also advocates for supporting the “positive economic, social and environmental links between urban, peri-urban and rural areas by strengthening national and regional development planning”.

### New urban agenda

Adopted at the United Nations Conference on Housing and Sustainable Urban Development (Habitat III) on 20 October 2016, *The New Urban Agenda*<sup>8</sup> is the first internationally agreed document outlining the cross-cutting urban dimensions of the SDGs. The framework provides guidance to address both the challenges and opportunities of urbanisation and development, focusing on 11 SDGs that include targets with an urban component. Since its publication, *The New Urban Agenda* has increasingly been regarded

5 *World cities report 2022: Envisioning the future of cities*, United Nations Human Settlement Programme, 2022, [link](#).

6 *Making cities work for development*, Venables, A. J., International Growth Center Brief Series, 2015, [link](#).

7 *Sustainable cities for growth policy framework*, Department for International Development (unpublished), 2015.

8 *The New Urban Agenda*, United Nations Human Settlements Programme, 2017, [link](#).

by UN member states as a roadmap to localising the SDGs. The UN Secretary-General has submitted two reports on progress in the implementation of the New Urban Agenda to the UN General Assembly, in 2018 and 2022. The most recent report endorses the growing conception of the New Urban Agenda as a road map for the “implementation and localisation of the 2030 Agenda in an integrated and coordinated manner at the global, regional, national, subnational and local levels”.<sup>9</sup>

### Paris Agreement

The Paris Agreement is a legally binding international treaty on climate change, endorsed by the 196 national governments which form the Conference of Parties (COP) of the UN Framework Convention on Climate Change (UNFCCC) in December 2015. The Agreement entered into force on 4 November 2016, two weeks after the adoption of the New Urban Agenda. Since its publication, countries have pledged specific contributions – formally known as Nationally Determined Contributions (NDCs) – to achieve the Paris Agreement’s goal of limiting the increase in the global average temperature to well below 2°C above pre-industrial levels. To date, over two-thirds of the 164 submitted NDCs show clear references to urbanisation in the context of national priorities for reducing emissions and adapting to climate change.

Table 1: Our review questions

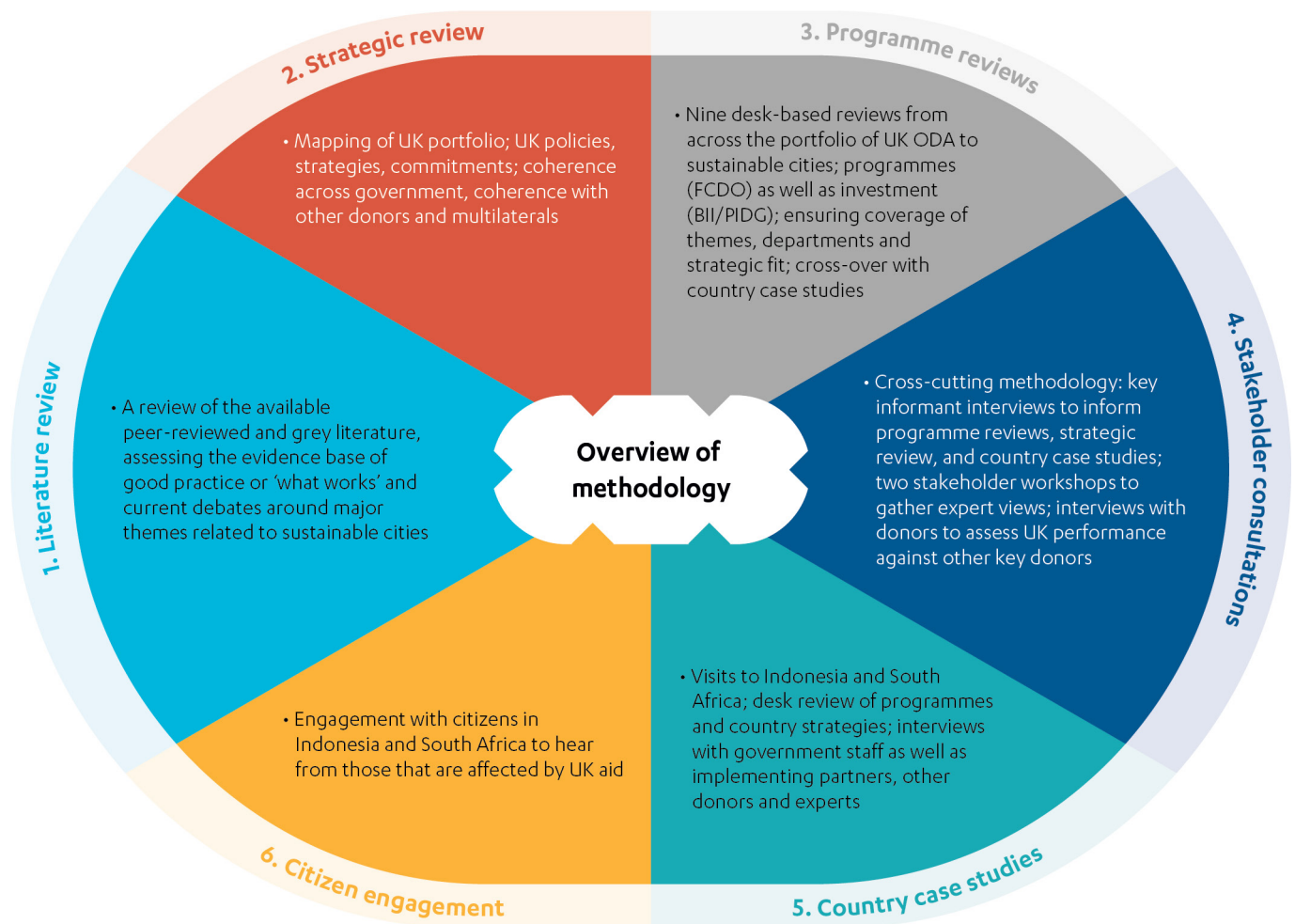
| Review criteria and question   | Sub-question  |
|--|---|
| <p><b>Relevance:</b> Does the UK have a clear and credible approach to promoting sustainable cities that aligns with its broader objectives?</p> | <ul style="list-style-type: none"> <li>• To what extent does the UK’s sustainable cities portfolio balance the objectives of climate change adaptation and mitigation, promoting economic growth, poverty alleviation and the development of safe and inclusive cities for marginalised groups, including women and children?</li> <li>• To what extent has the design of the sustainable cities portfolio focused on addressing the most significant constraints to sustainable urbanisation?</li> <li>• How well does the UK aid approach to sustainable cities support inclusive urbanisation, economic growth and poverty reduction?</li> <li>• How well does the UK’s approach align with the policies and priorities of local actors responsible for management and governance of cities and promote accountable governance?</li> </ul> |
| <p><b>Effectiveness:</b> How effectively is the UK’s support for urban programmes achieving its intended results on sustainable cities?</p>      | <ul style="list-style-type: none"> <li>• How effectively has UK aid contributed to making cities more prosperous, inclusive and sustainable?</li> <li>• How well does the UK mobilise other sources of finance for sustainable cities, including multilateral funding and private investment?</li> <li>• How well does the UK use its influence to strengthen the effectiveness of multilateral programming?</li> <li>• Is FCDO making efforts to maximise value for money?</li> </ul>  |
| <p><b>Coherence:</b> How coherent is the UK’s approach to promoting sustainable cities?</p>  | <ul style="list-style-type: none"> <li>• How well does the UK ensure coherence across its ODA programme to promote action on sustainable cities?</li> <li>• To what extent does UK aid complement the efforts of other development partners to promote action on sustainable cities?</li> </ul>   |

9 *Progress in the implementation of the New Urban Agenda and the 2030 Agenda for Sustainable Development*, United Nations Habitat Assembly of the United Nations Human Settlements Programme, Second session, 2023, p. 1, [link](#).

## 2. Methodology

2.1 Our methodology for this review comprised six reinforcing components (see **Figure 1**).

Figure 1: Our methodology



- **Literature review:** A review of the available peer-reviewed and grey literature, assessing the evidence base of good practice or 'what works' and current debates around major themes related to sustainable cities, such as economic growth, inclusion, sustainability, municipal governance and finance.
- **Strategic review:** A review of the strategies, policies and commitments relevant to the UK's sustainable cities portfolio.
- **Programme reviews:** Desk reviews of a sample of programmes and investments, selected to cover different channels and instruments.
- **Stakeholder consultation:** Key informant interviews supported our strategic review, programme reviews and country case studies, as well as stakeholder workshops involving the private sector, academics and civil society organisations.
- **Country case studies:** We conducted two country visits of Indonesia and South Africa. The country case studies assessed the UK's aid for sustainable cities in each country, and involved consultations with UK officials, implementing partners, other donors, and country counterparts at national and city levels.
- **Citizen engagement:** We consulted with people directly or indirectly affected by UK aid for sustainable cities in Indonesia and South Africa, to determine whether the UK's support for sustainable cities has been relevant to their needs and priorities and has resulted in tangible benefits.

- 2.2 Altogether, we conducted 45 interviews in the UK with 58 key stakeholders, including 34 UK government officials, and reviewed over 500 documents (see **Figure 2**). Through our country visits, we conducted 69 interviews with over 110 individuals in Indonesia and South Africa. Through our citizen engagement, we also collected feedback from 81 individuals in Indonesia and 197 in South Africa.
- 2.3 The methodology and approach were independently peer-reviewed and are further detailed in our approach paper.<sup>10</sup> Some of the main limitations to our methodology are listed in **Box 2**.

### Box 2: Limitations to the methodology

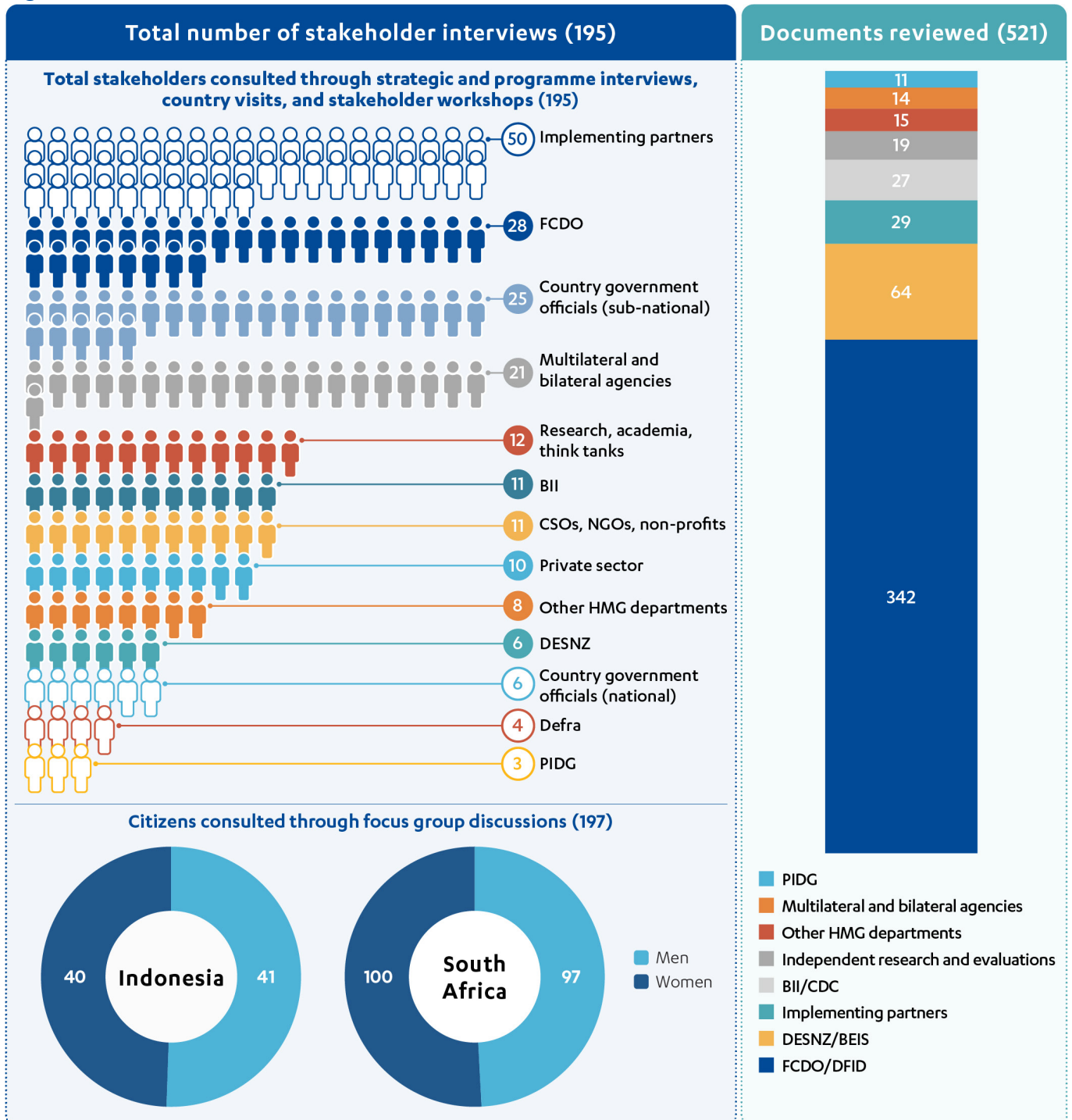
**Geographical focus:** Our choice of two upper-middle-income countries as case studies means that our country evidence has less of a focus on programming in low-income settings. However, given the large inequalities of income and opportunity seen within the two case study countries, we have been able to cover programming aimed at poverty reduction. By visiting secondary cities in those countries, we also gained insights into programming in lower-capacity environments. Our programme desk reviews included programming in low-income countries.

**Breadth of sample:** We selected a sample of nine programmes and investments from the sustainable cities portfolio to review in depth, out of 98 programmes and investments that we identified as active over the review period. This sample is not fully representative of the UK's sustainable cities portfolio. However, the sample covered a broad range of programming, including programmes operating globally and across the UK's strategic focus areas, as well as different types of funding.

**Availability of data:** We reviewed performance through a primarily qualitative assessment of documentary and interview evidence. However, quantitative analysis of the portfolio, in particular an in-depth review of results, was not possible due to the lack of available data. Variable levels of programme monitoring and evaluation, a low number of independent programme evaluations, and inconsistent results gathering across a fragmented portfolio meant that a cross-portfolio analysis of quantitative results data could not be carried out. While our methodology enables sufficient triangulation for us to be secure in our findings, a portfolio-wide set of performance metrics would allow for more strategic tracking and evaluation of the UK's contribution to sustainable cities as a whole.

10 UK aid to sustainable cities: approach paper, Independent Commission for Aid Impact, January 2024, [link](#).

Figure 2: Our data collection

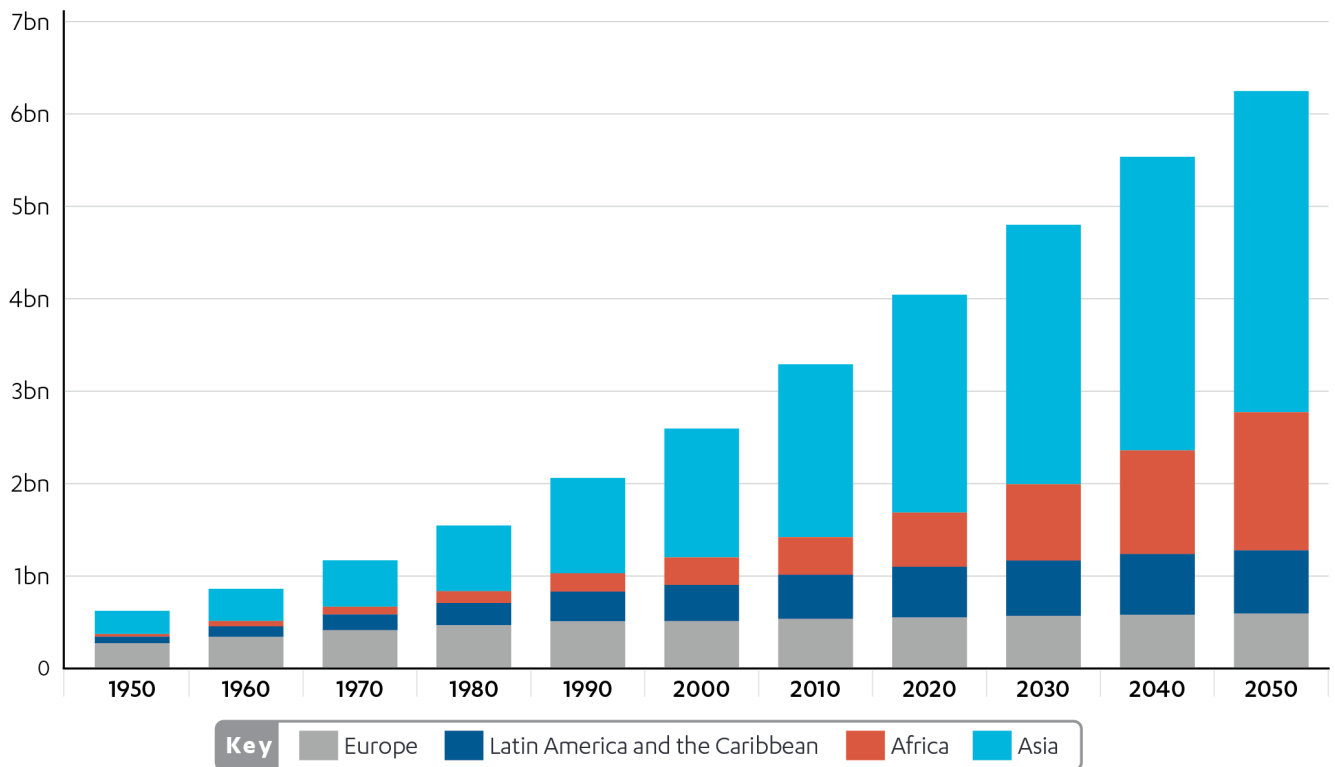


## 3. Background

### Cities and global development

- 3.1 More than half of the world's population – 4.4 billion people – live in cities, generating over 80% of global GDP.<sup>11</sup> The UN's *World urbanization prospects* forecasts that, by 2050, two-thirds of all people will live in cities, with over 90% of urban population growth occurring in Asia and Africa (see **Figure 4**).<sup>12</sup>

Figure 3. Urban population by region, 1950-2050



Source: United Nations, Department of Economic and Social Affairs, Population Division (2019). *World urbanization prospects: The 2018 revision*

- 3.2 Cities are vital for economic growth and national development. In well-managed cities, agglomeration – the clustering of skilled people, markets and amenities – raises productivity by facilitating networking, collaboration and information sharing. This accelerates the generation of knowledge, technology and innovation,<sup>13</sup> driving a virtuous circle of rising prosperity and further economic concentration.<sup>14</sup> Cheaper, faster and better infrastructure – both physical and digital – has enabled many megacities to create jobs at scale through participation in global value chains.<sup>15</sup>
- 3.3 While urbanisation and economic transformation have gone together in most parts of the world, this is not necessarily the case. In poorly planned and managed cities, excess pressure on infrastructure, services, land and housing can be locked in, undermining productivity and leading to urban poverty and inequality. It can lead to an increase in the share of jobs in the informal sector, where women are often over-represented, exposing workers to insecure or dangerous working conditions.<sup>16</sup>
- 3.4 Lack of investment in affordable housing can also create informal settlements, which are linked with poor health, crime and other social problems. The UN reported that over 1.1 billion urban residents lived in slums

11 *Urban development overview*, World Bank, 2023, [link](#).

12 *World urbanization prospects: The 2018 revision final report*, United Nations Department of Economic and Social Affairs, 2019, [link](#).

13 "Micro-foundations of urban agglomeration economies", Duranton, G. and Puga, D, in Henderson, V. and Thisse, J.-F. (eds.), *Handbook of regional and urban economics*, 2004, [link](#).

14 *Agglomeration economies in developing countries: A meta-analysis*, Grover, A., Lall, S. V. and Timms, J., World Bank Policy Research Working Paper 9730, 2021, [link](#).

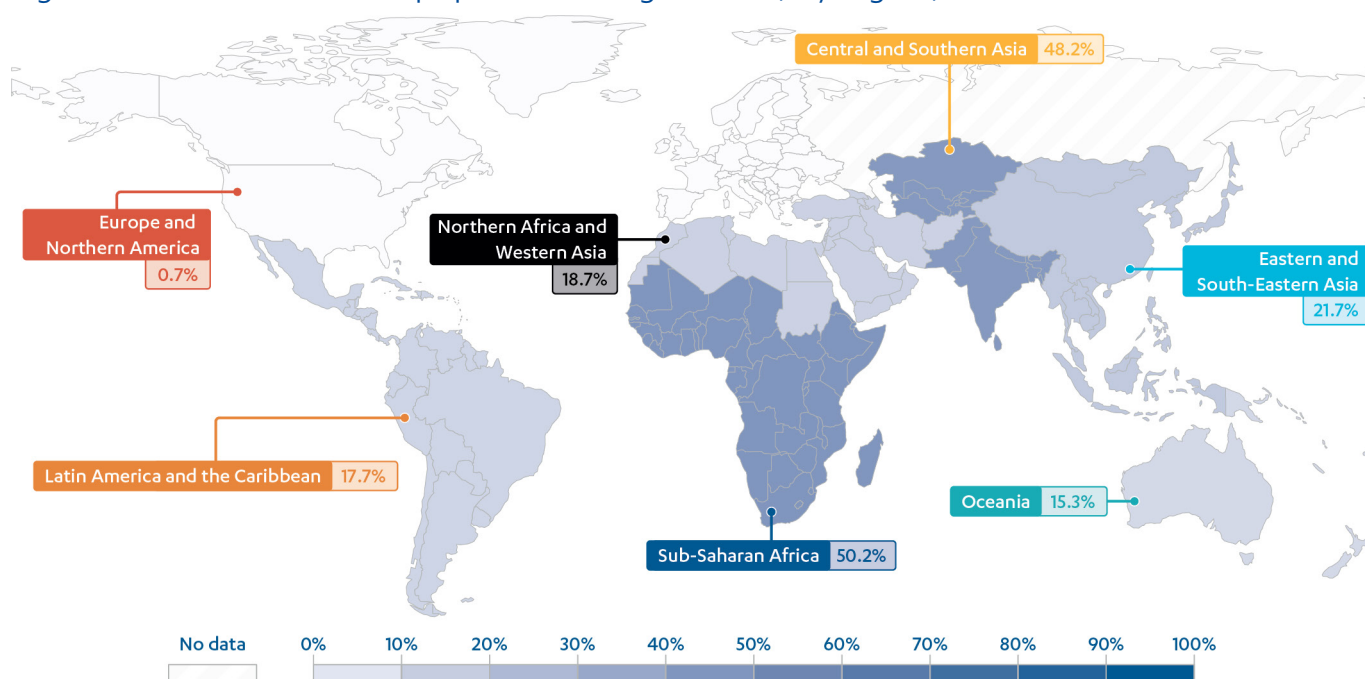
15 *Place, productivity, and prosperity: Revisiting spatially targeted policies for regional development*, Grover, A., Lall, S. V. and Maloney, W. F., 2022, [link](#).

16 *Enhancing productivity in the urban informal economy*, United Nations Human Settlement Programme, 2016, [link](#).



or informal settlements in 2020, with 2 billion more projected over the next 30 years (see **Figure 4**).<sup>17</sup> The predominance of informal work and housing poses a challenge for municipal finance, limiting the tax base for local governments and their scope to offer social protection.<sup>18</sup>

Figure 4: Share of the urban population living in slums, by region, 2020



Source: United Nations, Department of Economic and Social Affairs, Population Division (2019). *World urbanization prospects: The 2018 revision*

- 3.5 Promoting good governance in cities is essential to ensuring that the benefits of urbanisation are realised. Governance arrangements in cities are often complex, involving both national and municipal authorities, and influenced by diverse historical, cultural and political factors.<sup>19</sup> Common constraints to effective multi-level governance include unclear distribution of responsibilities, weak cooperation and limited political power at local government level. All these can impede the adoption and implementation of inclusive urban policies.<sup>20</sup>
- 3.6 Rapidly urbanising cities are vulnerable to climate change. Unplanned or unmanaged urbanisation can result in urban sprawl, leading to irreversible land-use changes and biodiversity loss. This threat is particularly acute in low-income countries, where city land area will expand fastest (by 141%) over the next five decades, as compared to lower-middle-income (44%) and high-income countries (34%).<sup>21</sup> Urban infrastructure, including transport, water, sanitation and energy, is also at risk from extreme and slow-onset climate events, resulting in economic losses, disruptions to services, and costs to human health and welfare. About 70% of African cities are highly vulnerable to climate shocks, with small and medium-sized towns and cities most at risk.<sup>22</sup> More than a billion people in low-lying cities and settlements will be at risk from sea-water incursion and other coastal-specific hazards by 2050.<sup>23</sup> Climate impacts tend to fall hardest on economically and socially marginalised urban residents, including those living in informal settlements.<sup>24</sup>

17 *World cities report 2022: Envisioning the future of cities*, United Nations Human Settlement Programme, 2022, [link](#).

18 *Understanding the informal economy in African cities: Recent evidence from Greater Kampala*, Kathage, A. M., World Bank Blog, 2018, [link](#).

19 *Property taxation and its revenue utilisation for urban infrastructure and services in Ghana*, Mabe, J. B. and Kuusaana, E. D., *Property Management*, 34(4), 2016, pp. 297-315, [link](#).

20 *Progress in the implementation of the New Urban Agenda and the 2030 Agenda for Sustainable Development*, United Nations Habitat Assembly of the United Nations Human Settlements Programme, Second session, 2023, p. 4, [link](#).

21 *World cities report 2022: Envisioning the future of cities*, United Nations Human Settlement Programme, 2022, [link](#).

22 "Africa", in *Climate change 2022: Impacts, adaptation, and vulnerability*, Contribution of Working Group II to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change, IPCC, Cambridge: Cambridge University Press, 2022, pp. 1171-1274, [link](#).

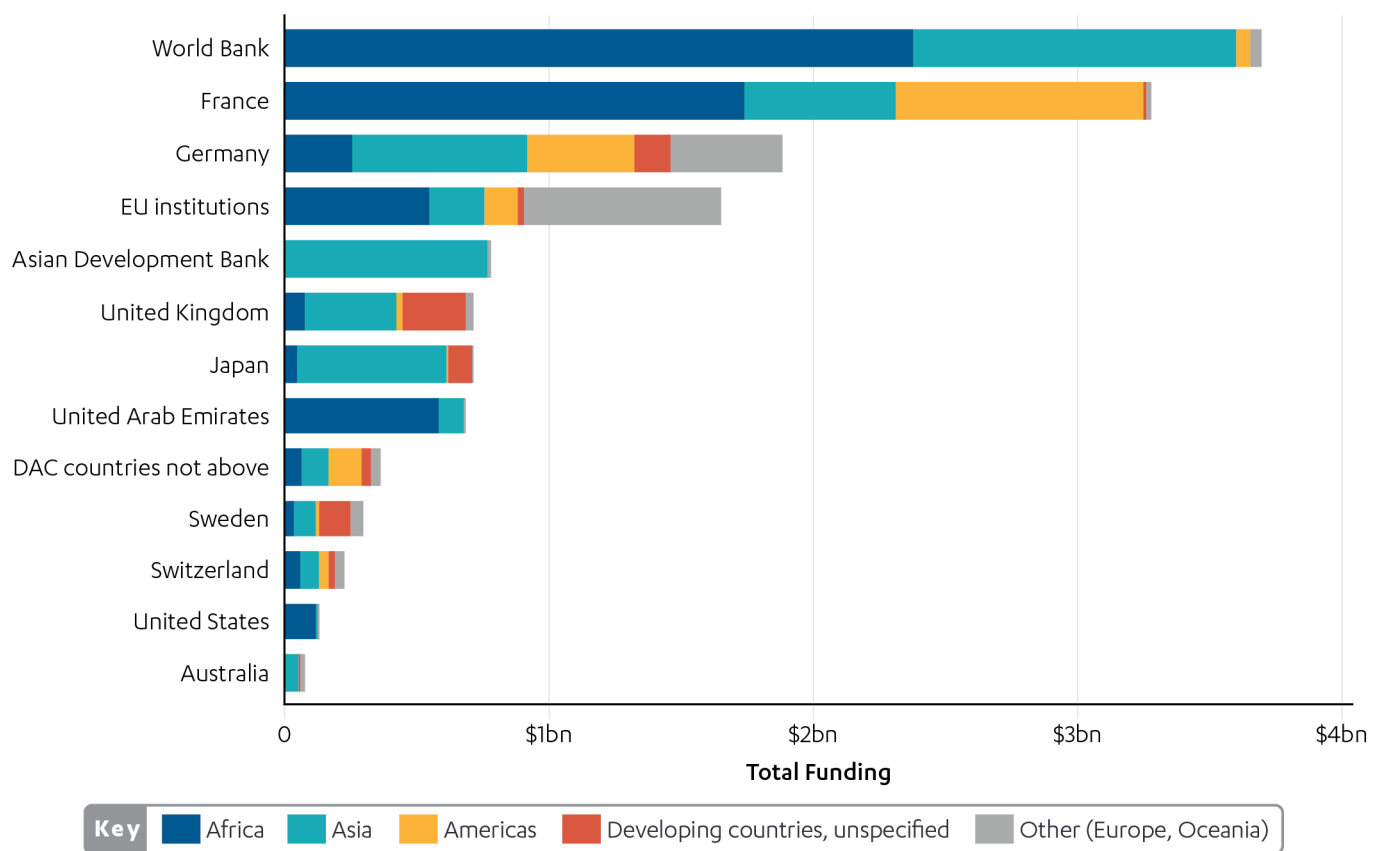
23 "Cities, settlements and key infrastructure" in *Climate change 2022: Impacts, adaptation, and vulnerability*, Contribution of Working Group II to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change, IPCC, Cambridge: Cambridge University Press, 2022, pp. 907-1040, [link](#).

24 "Cities, settlements and key infrastructure" in *Climate change 2022: Impacts, adaptation, and vulnerability*, Contribution of Working Group II to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change, IPCC, Cambridge: Cambridge University Press, 2022, pp. 907-1040, [link](#).

## Global aid for sustainable cities

3.7 International aid and cooperation can play a useful role in helping developing countries to achieve Sustainable Development Goal (SDG) 11. They contribute to poverty reduction, service delivery and community empowerment. According to the literature, successful aid programmes can help by addressing the constraints of limited data and information technology, improving access to financial and human resources, and promoting coordination across governments and agencies.<sup>25</sup> Direct interventions for ‘slum upgrading’, including housing, infrastructure, and health services, have provided environmental and social benefits for the urban poor.<sup>26</sup> International aid organisations have increasingly used climate finance to support urban development and enhance cities’ capacities for mitigation and adaptation. Most of the largest donors for sustainable cities are multilaterals, including the World Bank, the EU and the Asian Development Bank (see **Figure 5**). The UK is the sixth-largest donor for urban development.

Figure 5: Global spending on sustainable cities 2015-2022 (Organisation for Economic Cooperation and Development aid data)



Source: OECD aid data, supplemented with data from BII investment commitments

## UK aid’s approach to sustainable cities

3.8 While the UK has long recognised the importance of urbanisation in the development process, the former Department for International Development’s (DFID) 2015 *Sustainable cities for growth policy framework* explicitly articulated the department’s increased emphasis on cities as drivers of growth and economic transformation, while also recognising their central role in the shift towards low-carbon development. The document noted that rapid urbanisation was not leading to many of the expected benefits, such as economic transformation, regional and national growth and employment, particularly in Africa. It therefore set out a framework to guide both programming and influencing activities, and to feed into the development of what would become DFID’s 2017 economic development strategy.

25 “Multi-stakeholder partnerships: a catalyst to achieve sustainable development goals”, Eweje, G., Sajjad. A., Nath, S. D. and Kobayashi, K., *Marketing Intelligence & Planning*, 39(2), 2020, pp. 186-212, [link](#).

26 *Developing framework for improving disaster resilience in urban slum upgrading*, Tauhid, F. A., *Nature: National Academic Journal of Architecture*, 6(1), 2019, p. 97, [link](#).

### Box 3: DFID's Sustainable cities for growth policy framework

DFID's 2015 framework for urban development aimed to foster economic growth and create more and better jobs, in ways that were inclusive and poverty-focused, and that targeted sustainability and resilience. It identified five areas where DFID could support sustainable urban development:

1. **Planning:** spatial planning, land use, property rights and resilient infrastructure
2. **Finance:** mobilising public and private finance for urban infrastructure
3. **Growth:** in investment, the business sector, inclusive growth and job creation
4. **Knowledge:** including evidence and improved metrics of 'what works'
5. **Leadership:** supporting debates and partnerships on cities internationally

Despite reaching an advanced stage of development, the framework was never published. However, it fed into what would become DFID's 2017 economic development strategy and has continued to frame the UK's increasingly cross-sectoral approach to urban development. Although the framework was focused on economic growth, it included several cross-cutting issues, such as rural-urban linkages, conflict and fragility, women and girls, and sustainability.

- 3.9 The framing of cities as a key climate priority was further emphasised in the 2023 *International climate finance strategy*, which placed sustainable cities at the core of the UK's global efforts to address climate change (see **Box 4**). This is elaborated further in an unpublished 2023 Foreign, Commonwealth and Development Office (FCDO) policy briefing, *Sustainable cities policy priorities*, which highlights the cross-cutting nature of urban programming and states that future approaches must be "informed by analysis of the local political economy and engagement with the shadow economy to determine what is politically feasible and ensure that the poor benefit".<sup>27</sup>

### Box 4: Sustainable cities in the UK's International climate finance strategy

In March 2023, the UK published its *International climate finance strategy* (ICF 3). The strategy covers the UK's pledged £11.6 billion of funding over the period 2021-22 to 2025-26 for achieving outcomes in climate mitigation and adaptation, biodiversity and poverty reduction. One of the four themes of focus is Sustainable Cities, Infrastructure and Transport. Under this theme, the UK commits to supporting SDG 11 through green, resilient and inclusive urban development that makes use of nature-based infrastructure, avoids emissions, and works to reduce cities' environmental footprint. According to ICF 3, work on this theme will be delivered through investment, research and by supporting cities with their environmental governance and planning. It is notable that ICF 3 – a climate strategy – is the UK's first published statement of intent on sustainable cities. However, it contains only limited detail about non-climate aspects of supporting cities, such as employment, housing, data and technology, municipal finance and governance.

- 3.10 Sustainable cities have recently risen in profile through British Investment Partnerships (BIP) – a cross-government initiative introduced in *The UK government's strategy for international development*<sup>28</sup> to mobilise UK expertise on investment finance for development (see **Box 5**). Bringing together several UK departments, investments made through BIP will contribute to the \$600 billion G7 Partnership for Global Infrastructure and Investment.

<sup>27</sup> *Sustainable cities policy priorities*, Foreign, Commonwealth, and Development Office, 2023.

<sup>28</sup> *The UK government's strategy for international development*, Foreign, Commonwealth and Development Office, 2022, [link](#).

## Box 5: Sustainable cities in British Investment Partnerships

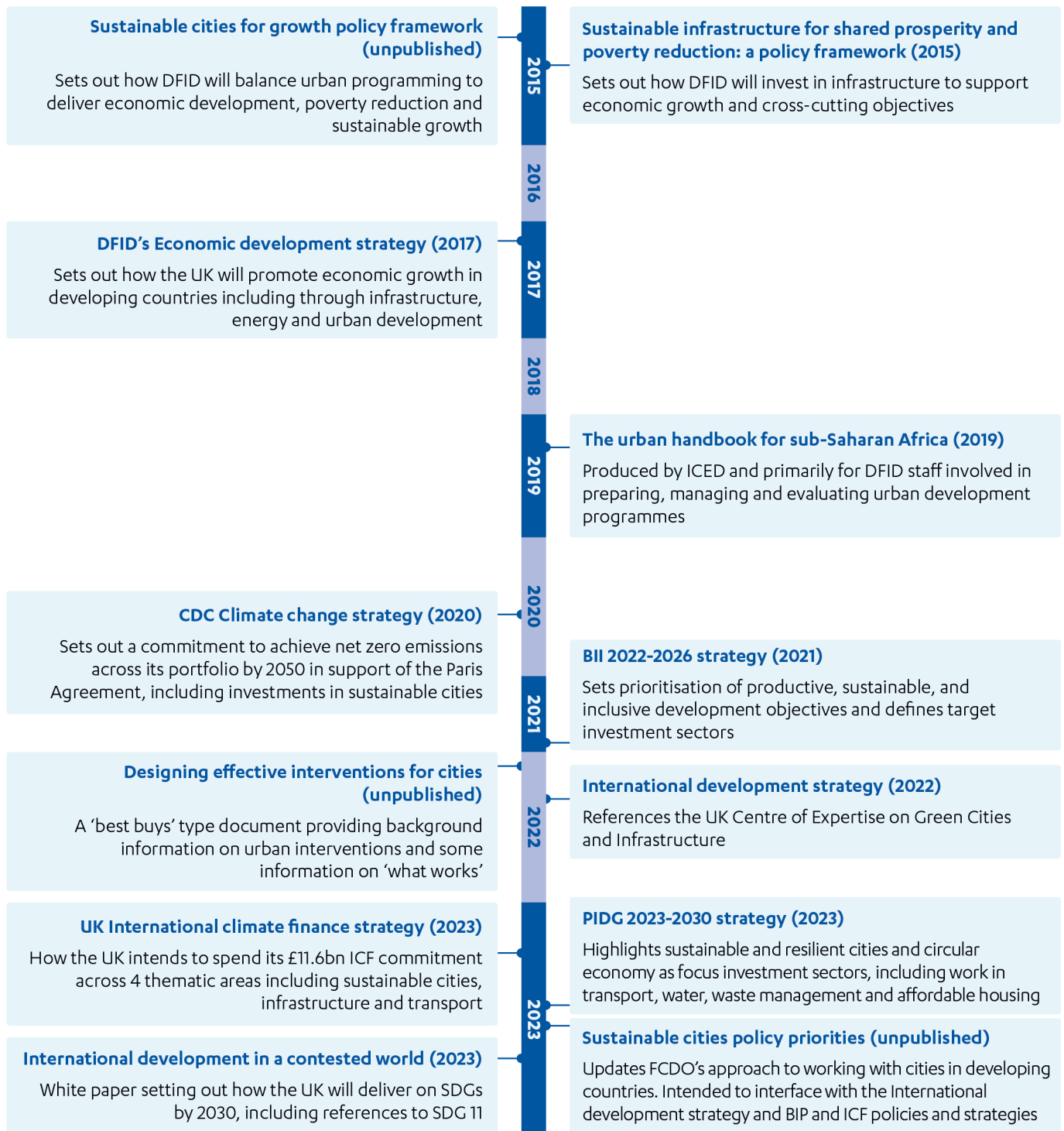
The primary objective of British Investment Partnerships (BIP) is to link technical assistance and investment by developing bespoke investment packages to meet the needs of partner countries using three levers:

- 1. Finance** – BIP mobilises finance through capital markets, multilaterals, export and trade, and development finance. In the context of sustainable cities, this includes building on previous investments and strategies of British International Investment (BII), formerly CDC Group, and the Private Infrastructure Development Group (PIDG):
  - **British International Investment:** As the UK’s development finance institution, BII is a major component of the BIP initiative. BII’s strategic development impact objectives are set out in five-year strategies, with the most recent 2022-26 strategy integrating sustainable cities in two of BII’s focus sectors: i) infrastructure and climate and ii) construction and real estate. In addition to its five-year strategy, several cross-cutting policies frame BII’s investment approach in support of sustainable cities, including the 2020 climate change strategy which positions “safe and resilient cities” as one of BII’s development objectives for climate-focused investments.
  - **Private Infrastructure Development Group:** Established in 2002, PIDG is an infrastructure development and finance organisation funded by six governments, including the UK, as well as the International Finance Corporation. Focusing on frontier markets in sub-Saharan Africa and South and South-East Asia, PIDG aims to mobilise private sector finance to support climate-resilient infrastructure. PIDG operates through three business lines: i) technical assistance and project preparation; ii) project development; and iii) credit solutions. The 2023-30 strategy highlights sustainable and resilient cities and circular economy as one of PIDG’s focus investment sectors, including work in transport, water, waste management and affordable housing.
- 2. Partnerships** – BIP’s approach to partnerships includes leveraging the UK’s existing network with country governments, international finance institutions, and multilateral organisations.
- 3. Expertise and research** – In addition to ongoing research programmes, BIP consolidates UK expertise through five Centres of Expertise: i) Green Cities and Infrastructure; ii) Public Finance; iii) Financial Services; iv) Green and Inclusive Growth; and v) Trade.

- 3.11 Announced in the 2022 international development strategy, the Centres of Expertise (CoEs) have been endorsed by ministers as a new way to deliver technical assistance (see **Figure 6**). The Green Cities and Infrastructure CoE brings together some of the existing centrally managed programmes focused on urban development. It has two primary objectives: i) to serve as a central hub for country teams to access technical expertise on urban development; and ii) to coordinate the UK’s international offer on cities and infrastructure, drawing from a range of government departments, including the Department for Business and Trade (DBT), the Department for Energy Security and Net Zero (DESNZ), the Department for Science, Innovation and Technology (DSIT) and public agencies (Crossrail, TfL and others).
- 3.12 The 2023 *White paper on international development* further affirms CoEs as a one-stop-shop for international partners to access cross-department specialist expertise, including UK expertise in urban planning and project development to “create infrastructure services that are resilient and sustainable (SDG 11) and help cities realise their potential to drive growth and create jobs”.<sup>29</sup> The white paper also notes that PIDG and the Green Cities and Infrastructure CoE will serve as a channel for providing project development support to develop a “pipeline of bankable projects” and mobilising private capital. The FCDO Resilient Cities and Infrastructure Team serves as the Secretariat for the Green Cities and Infrastructure CoE and is the primary point of contact for international engagement.

29 *International development in a contested world: ending extreme poverty and tackling climate change: A white paper on international development*, Foreign, Commonwealth and Development Office, 2023, [link](#).

Figure 6: Timeline of relevant UK strategies, policies and publications



### The UK sustainable cities aid portfolio

- 3.13 Between 2015 and 2022, the UK has reportedly spent a total of £916.6 million on urban development, through multi-bi funding (29%), other bilateral funding (24%), its core contributions to multilateral development agencies (37%), and BII (10%). However, during this period, the UK's annual spending on urban development fell sharply, from £190.5 million in 2018 to just £72.6 million in 2022.
- 3.14 FCDO is responsible for the largest share of UK aid for sustainable cities. However, several other departments and development finance instruments also contribute (see **Figure 7**), using a range of aid modalities and channels. The main spending departments have been DFID/FCDO, which spent £318.2 million, followed by the former Department for Business, Energy and Industrial Strategy (BEIS), which spent £141 million, and the cross-government Prosperity Fund, which spent £23.4 million. The

Department for Levelling Up, Housing and Communities (DLUHC) supports engagement on cities through the G7 and G20 fora, although it does not have any active programming.

Figure 7: Spread of sub-themes covered by UK departments and instruments<sup>30</sup>

| Thematic areas                      | FCDO | DSIT | DESNZ | Defra | PIDG | BII |
|-------------------------------------|------|------|-------|-------|------|-----|
| Integrated urban planning           |      |      |       |       |      |     |
| Urban mobility                      |      |      |       |       |      |     |
| Urban infrastructure finance        |      |      |       |       |      |     |
| Urban resilience and climate action |      |      |       |       |      |     |
| Smart city technologies and data    |      |      |       |       |      |     |
| Urban informality and equity        |      |      |       |       |      |     |
| Waste and water management          |      |      |       |       |      |     |
| Energy transition                   |      |      |       |       |      |     |
| Affordable housing                  |      |      |       |       |      |     |

Key   Sub-theme included

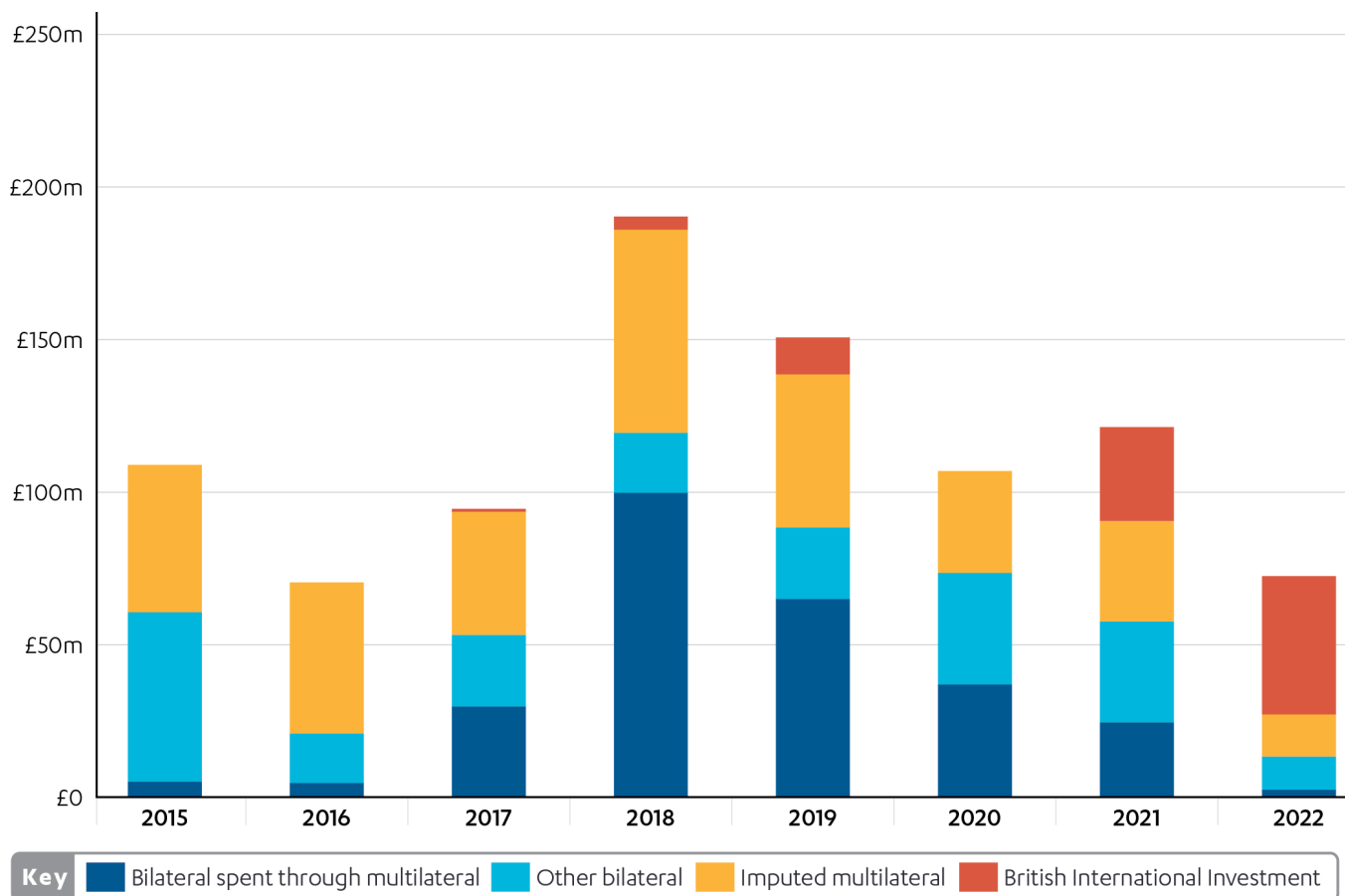
- 3.15 Most of the UK’s bilateral aid for sustainable cities has focused on Asia (48%), compared to 11% in Africa, although a significant share of its spend is not classified by country (34%). Where a breakdown is available, £81.8 million went to low-income countries, £92.6 million to lower-middle-income countries and £72.1 million to upper-middle-income countries.<sup>31</sup>
- 3.16 However, UK aid for sustainable cities is not well captured in the statistics, and there are discrepancies in different published sources. For example, the Organisation for Economic Cooperation and Development (OECD) Creditor Reporting System (CRS) reported that the UK spent the smaller amount of £582.4 million between 2015 and 2022.<sup>32</sup> In many instances, support for sustainable cities is an indirect result of programmes targeting other sectors, such as transport or energy.

30 Within these thematic areas, support mechanisms vary based on the strategies of each UK government department. For example, while BII is mandated to deliver sustainable and inclusive investment, it takes a sectoral approach to investment in areas such as transport, waste and energy, which intends to have co-benefits for urban equity, resilience and climate action, rather than serve as the direct purpose of investment.

31 An additional £22.4 million has no data on income status.

32 According to OECD CRS data, using code 43030 on Urban Development and Management, the UK spent \$717.7 million. We used the average exchange rate of USD to GBP in 2022 of 0.8115.

Figure 8: UK official development assistance spending on sustainable cities, by modality



3.17 We identified 214 programmes that contributed to sustainable cities to varying degrees during the review period.<sup>33</sup> We categorised these into three groups: those focused on cities, those with some reference to cities, and those where cities are a minor component. We found that 102 programmes or projects are focused on cities, including 44 FCDO programmes, 34 DSIT-funded programmes and projects, one Defra programme, 14 PIDG and nine BII investments. Using this method, we found that the UK had spent at least £1.3 billion on sustainable cities, with an additional £365.5 million in sectors with partial or limited reference to cities.<sup>34</sup> This categorisation was further applied to evaluate the performance of programmes identified as contributing to the sustainable cities portfolio. However, missing or incomplete data were also found in the collection and publication of performance metrics across programmes. Our analysis of current programmes revealed that out of a total of 39 programmes, only 21 had annual reporting available for 2022. From this sample, only one programme had an overall annual review score below A, and one-third of programmes scored either A+ or A+.<sup>35</sup> At the output level, scores for individual programme components were more varied. While the majority of the programmes' components scored either an A (43%) or A+ rating (35%), there was a significant minority (12%) that scored B or C. The majority of the 84 programme activities were focused on governance<sup>36</sup> and finance, with poverty reduction featuring the least at the output level.

33 We have incorporated additional programmes or projects, and missing information, using DevTracker and the MODARI databases.

34 This is based on comparable spending data identified for 20 programmes with partial or limited reference to cities.

35 Annual review programme scores use a 5-point scale (A++, A+, A, B, C); where A++ signifies that 'outputs substantially exceeded expectation' and C signifies that 'outputs substantially did not meet expectation'. For more information about the annual review scoring process please refer to Reviewing and scoring projects: A how to note, Department for International Development, 2011, [link](#).

36 This includes outputs focused on institutional strengthening.

## 4. Findings

### Relevance: Does the UK have a clear and credible approach to promoting sustainable cities that aligns with its broader objectives?

4.1 In this section we examine the relevance of UK aid for sustainable cities, including the extent to which the UK's urban development programmes contribute to UK objectives, meet countries' needs and address cities' most pressing concerns.

While there are individually relevant activities, there is no clear overall purpose for the sustainable cities portfolio, creating uncertainty over direction and leaving gaps

- 4.2 The UK's support for sustainable cities includes a broad range of programmes focused on urban planning, infrastructure, transport, economic growth and urban climate resilience. UN Sustainable Development Goal (SDG) 11 (see **Box 1**) provides a framework for assessing the relevance of UK support for sustainable cities. Our analysis of programme business cases and theories of change confirms that the UK's official development assistance (ODA) portfolio on sustainable cities was broadly aligned with SDG 11's sub-goals over our review period. However, officials we interviewed and urban experts who participated in roundtable discussions for this review have noted that there remains a lack of clarity over the UK's rationale and approach for working on cities.
- 4.3 A 2018 Independent Commission for Aid Impact (ICAI) review<sup>37</sup> of the former Department for International Development (DFID)'s transport and urban infrastructure programmes found that the UK was achieving impact through its support for urban infrastructure. In 2018, DFID identified urban infrastructure as an area where it would like to build up its portfolio. In practice, however, the UK moved away from urban infrastructure towards programming in other areas, such as urban planning (including transport), economic growth, finance and climate. This broadening of approach brought with it some issues. Foreign, Commonwealth and Development Office (FCDO) delivery partners as well as UK officials have noted that there have been challenges to framing development through a distinctly 'urban' lens, and whether to address sectoral issues at a purely national level, or as a component of urban programming.
- 4.4 The UK's urban development programmes have generally reflected its areas of comparative advantage. For example, the UK possesses expertise in city governance and urban planning, and programming has reflected this. However, there are areas of comparative advantage and perceived strategic interest that are not reflected in the urban portfolio. The 2022 international development strategy and 2023 *White paper on international development* set out UK ambitions to use its financial expertise and the City of London to mobilise investment for green infrastructure. However, in our meetings with UK officials and experts, we heard that for the urban portfolio, in most cases, relatively little has been done on this.
- 4.5 There is recognition within FCDO of a need for clearer guidance to structure programming choices in the urban portfolio. In 2015, DFID developed a *Sustainable cities for growth policy framework*, which outlined the department's approach to promoting growth in sustainable cities through its urban development and economic growth programmes (see **Box 3**). As an internal DFID document, the framework had less relevance for other departments' urban development work and has had limited impact, although some programmes designed after the framework have gone on to be influential. FCDO produced *The urban handbook for sub-Saharan Africa* in 2019,<sup>38</sup> and an internal insights document in 2022, to provide examples drawn from experience and current evidence, aimed at FCDO officials designing urban interventions. While useful for drawing together evidence on 'what works' in urban development programmes, these documents do not provide a clear framework to guide programming. They are also of limited relevance to non-FCDO staff. While FCDO infrastructure and urban advisers can offer this knowledge to teams in-country on a demand-led basis, we are not aware that these documents have been shared with other departments or widely across FCDO.

<sup>37</sup> DFID's transport and urban infrastructure investments, Independent Commission for Aid Impact, 2018, [link](#).  
<sup>38</sup> *The urban handbook for sub-Saharan Africa: Quick read guide*, Department for International Development, 2019, [link](#).



4.6 Interviews with FCDO staff revealed a lack of consensus on the UK's approach to sustainable cities, including its comparative advantage and objectives. Without a shared approach across FCDO and other departments, it is difficult for officials to design programmes that reflect the UK's aims and commitments. As a consequence, the portfolio has become very broad, touching on a wide range of areas and objectives, without clear criteria for allocating resources. While the 2023 *International climate finance strategy* (ICF 3) describes in broad terms how UK climate finance will work to improve the environmental sustainability of cities, it is not specific about how this is to be achieved, nor does it provide a clear rationale for investing in urban development more generally. In particular, the focus on cities as an engine of economic growth and development, which was central to the 2015 DFID framework, is not well understood outside the urban team in FCDO, and is no longer central to the portfolio.

#### The UK's urban programmes have made efforts to align with local and national priorities, and to incorporate local stakeholder perspectives in project designs

- 4.7 The UK made efforts to engage with policymakers and civil society at both national and city levels. For example, FCDO staff and external partners emphasised the importance of engaging and empowering city-level authorities, noting that city administrations are often 'first responders' and therefore best placed to understand the complex issues facing urban residents. This is confirmed in our literature review, which notes the importance of strong city-level governance, which can result in policies that are better rooted in the needs of urban communities.<sup>39</sup> UK programmes have also funded cities' networks and partnerships involving think tanks, research institutions, international organisations, and other stakeholders such as Cities Alliance, Coalition for Urban Transitions, and C40. This has allowed programmes to engage with a wide range of actors, strengthening both government and non-governmental networks.
- 4.8 Several programmes demonstrated well-thought-out approaches to incorporating the views of local stakeholders. Through the UK's support to Bangladesh's National Urban Poverty Reduction Programme (NUPRP), community-based organisations were supported to advocate for their rights and hold local governments to account. This programme's design was cited as 'unique' by FCDO and UN Development Programme (UNDP) officials, as well as in an external evaluation, due to its use of participatory studies and community platforms. The Asian Development Bank's (ADB) Urban Climate Change Resilience Trust Fund (UCCRTF), the major share of which was financed by the UK through the Managing Climate Risks for the Urban Poor (MCRUP) programme, was designed to include community participation in the design of interventions. This approach was new to ADB when it was introduced to the UCCRTF. It has been one of the more successful elements of the programme, and has gone on to increase community leadership and local relevance in other programming in ADB.

“ From the time we were told that there was going to be construction in our street ... there was a meeting with the residents' associations, where we were all involved. ”

Woman resident, Makassar, Indonesia

- 4.9 In our country case studies, we found that UK aid to sustainable cities was broadly aligned with government priorities in Indonesia and South Africa. South African stakeholders consistently highlighted the positive and constructive engagement of the British High Commission in Pretoria. Urban programmes in Indonesia also appeared to reflect local priorities and key issues and encouraged the use of national expertise. However, we saw limited evidence that programme and thematic selection were underpinned by analysis of 'what works' or a comparison of options for impact. It was clear, nevertheless, that efforts had been made to reflect the priorities of the Indonesian government. Indonesian officials told us that they were committed to the electrification of municipal transport, and that UK programming had been helpful in this regard.

39 See, for example, Bennet, Glandon and Rasanathan (2018) or Klaric (2021) in *UK aid for sustainable cities: literature review*, Independent Commission for Aid Impact, 2024, available on the ICAI website, [link](#).

- 4.10 The UK's aid-funded research on cities in the Global South has highlighted the importance of conducting research at the subnational level, driven by researchers in the region, to explore and help relieve constraints facing cities. The FCDO-funded Africa Cities Research Consortium is a positive example. It is African-led by design, where local actors, including African researchers, civil society, local and national politicians, municipal employees and other actors key to reform are centrally involved in the design of the programme. However, we found instances of research which did not involve equitable partnerships with researchers from the Global South. Consultations with researchers, experts and other multilateral partners revealed that overall, the UK performed less well than other donors in involving researchers from developing countries, particularly from Africa. The Global Challenges Research Fund (GCRF)-funded Centre for Sustainable, Healthy and Learning Cities and Neighbourhoods is one example, where the majority of the Centre's funding, its design, and the priorities identified were predetermined and concentrated centrally in the UK, not locally.
- 4.11 Our citizen engagement exercise in Indonesia and South Africa found that the UK had a mixed performance in integrating local stakeholder perspectives in the inception and delivery stages of urban programmes. As a result, some areas of programming did not align with local stakeholder priorities. In Indonesia, we found that while citizens understood the climate relevance of the transport electrification proposed by the Indonesian government and supported by UK Partnering for Accelerated Climate Transitions (UK PACT), some aspects of the government's plans inadequately addressed the needs of some public transport users and had unintended consequences, and the rationale for electrification had not been fully explained.

“ Electric buses cannot operate like diesel buses because their battery power is limited. Diesel buses can operate from 1 pm to 11 pm. If we drive an electric bus, at 7 o'clock we have to go home, and we lose four hours of work, so our earnings decrease. ”

*Bus driver, Jakarta, Indonesia*

“ This plan is to be implemented without citizens' understanding it... What needs to be addressed is how to give people more information about it so they can understand. ”

*Public transport user, Jakarta, Indonesia*

- 4.12 In South Africa, we heard in our citizen engagement that some local residents felt they had not been adequately consulted during the planning stages of a project funded under the Global Future Cities Programme (GFCP), with community engagement delivered by a Cape Town-based non-governmental organisation (NGO). These residents felt that their involvement in the planning process came at too late a stage and at a point where their consultation was not able to positively affect project outcomes. A British International Investment (BII) investment in Johannesburg had provided good-quality accommodation for working-class South Africans, but residents told us that there were significant issues about the affordability of the units, and questioned whether this investment was relevant for the lower strata of the urban working class.<sup>40</sup>

“ The rent is too high, and we pay up to R4,200 [approximately £180 per month] for a bachelor unit. ”

*Resident of a BII-backed provider of urban housing and regeneration projects, Johannesburg, South Africa*

40 In 2023, the South African minimum wage was R25.42 per hour. If a worker works 38 hours a week, their minimum wage would be R4,182.60. In a household of two, this would equate to R8,365.20, which is below the monthly household income for the majority of residents in a BII-backed urban housing and regeneration project in Johannesburg.

## The UK has missed opportunities to leverage its expertise in affordable housing

- 4.13 Access to safe and affordable housing is the first of SDG 11's sub-goals and, according to a recent UN progress report on the SDGs, in 2020 an estimated 1.1 billion urban residents lived in slums or slum-like conditions. Over the next 30 years it is expected that there will be an additional two billion people joining them.<sup>41</sup> Between 2002 and 2019, FCDO (as DFID) consistently supported housing-related projects. FCDO officials have acknowledged that they do not have a model of how to deliver housing projects that successfully combine private finance and affordability. During our review period, FCDO decided to move away from safe and affordable housing in its bilateral aid portfolio, choosing to address housing through non-grant mechanisms (see **para 4.11**).
- 4.14 Our literature review<sup>42</sup> and expert workshops confirmed that affordable housing is a critical aspect of inclusiveness in urban settings which, given the necessity of decent housing and the issue of informality in cities in the Global South, warrants inclusion in urban aid programmes. FCDO noted that expertise for housing finance is now located in BII and the Private Infrastructure Development Group (PIDG). Since the department was constrained by resources, it decided to pass the lead for supporting affordable housing to these organisations. In its construction and real estate strategy, BII refers to investing in social infrastructure such as housing,<sup>43</sup> while PIDG in 2018 developed impact guidelines for affordable housing. However, officials told us that commercial investment in housing requires mortgages or rents that are not viable for some low-income households, while non-commercial housing models (such as housing associations and cooperatives) that could benefit them were not commercially viable. In principle, PIDG would consider mixed models with sub-commercial elements, but specifically exclude housing investments for the 20% lowest-income households. We found in our programme desk reviews and interviews with citizens in South Africa that, consistent with these views, where BII and PIDG had been able to lend to commercial property developers for housing, this had been without a clear plan for targeting those on incomes below levels usually acceptable to commercial providers. UK officials acknowledge that the lack of attention to housing is a gap, and we were shown that affordable housing and shelter are not referenced in the recent white paper.<sup>44</sup>

## Although the focus on climate change has increased, attention to adaptation has until recently been low and nature-based solutions have not been put into practice

- 4.15 Early UK strategic documents and programme designs did not have a strong climate or low-carbon development emphasis. Although the 2015 *Sustainable cities for growth framework* paper does refer to "climate-smart" and resilient infrastructure programming, it does not outline a focused approach towards climate change or low-carbon development. Around 2015, DFID urban programmes addressed climate through the lens of urban resilience. A mapping exercise undertaken by the review team confirms that, since 2015, there has been a shift in the portfolio towards a greater focus on urban climate, including climate risk management, climate resilience, and decarbonisation of infrastructure such as sustainable transport and renewable energy.
- 4.16 Although it is well understood that both adaptation and mitigation efforts should be addressed in urban programmes to maximise climate effectiveness, there has been a greater focus on mitigation in the UK's urban portfolio. Indeed, ICAI has found that across the UK's international climate finance (ICF), the UK is falling behind on its adaptation commitments.<sup>45</sup> We note that the urban development programmes designed by the former Department for Business, Energy and Industrial Strategy (BEIS) focused almost exclusively on mitigation, in line with BEIS's ICF investment mandate. We observed in both our country case studies that the majority of the UK's urban development portfolios in those countries set climate change objectives primarily for mitigation. Both our case studies are of middle-income countries with large coal-fired power sectors, and a case study of a low-income country might have included more significant adaptation activities. However,

41 *The Sustainable Development Goals report 2023: Special edition*, United Nations, 2023, [link](#).

42 See, for example, Sibyan, 2020; Adewumi Adedeji, Junaid and Mohammed Sanni, 2022 or Soon and Tan, 2019 in *UK aid for sustainable cities: literature review*, Independent Commission for Aid Impact, 2024, available on the ICAI website, [link](#).

43 *Construction and real estate: Sector strategy*, CDC, p. 8, [link](#).

44 *International development in a contested world: ending extreme poverty and tackling climate change: A white paper on international development*, Foreign, Commonwealth and Development Office, 2023, [link](#).

45 *UK aid's international climate finance commitments: a rapid review*, Independent Commission for Aid Impact, 2024, p. 20, [link](#).

an ICAI mapping of the UK portfolio shows a greater focus on mitigation in the urban portfolio overall, which was also reflected in interviews with urban experts. While one of the BII investments we reviewed had adopted the Excellence in Design for Greater Efficiencies (EDGE) certification, which aims to reduce resource intensity (energy, water and carbon) in buildings, the BII and PIDG investments we reviewed did not include specific measures to address or report on adaptation. Our literature review finds that many urban plans are missing opportunities to advance the co-benefits of climate action and sustainable development, and this has a potential effect of compounding inequality and reducing well-being.<sup>46</sup> This finding has also been documented in UK programmes.

- 4.17 Resilience building and climate adaptation in urban areas is often also a good pro-poor investment. For instance, housing-related adaptation measures and developing urban heat action plans are effective climate and pro-poor solutions, since the urban poor are disproportionately likely to live in poorly adapted housing and to work outside during the warmest periods of the day. The portfolio's lack of focus on adaptation risks missed opportunities to capture the co-benefits of poverty reduction and increased climate resilience. Indeed, work by the Coalition for Urban Transitions, under the Infrastructure and Cities for Economic Development (ICED) programme, identified a need for urban programmes to pay greater attention to adaptation, to ensure they are pursuing mitigation, adaptation and development goals in tandem. Climate vulnerability and the relative costs of adaptation are becoming an increasingly urbanised problem,<sup>47</sup> and investing in climate adaptation programming in urban settings often represents good value for money by both targeting the urban poor and addressing climate.<sup>48</sup> Towards the end of our review period, we saw greater efforts by the UK to increase climate adaptation and resilience relevance across the portfolio. For instance, the Urban Climate Action Programme (UCAP), launched in 2022, was a successor to the Climate Leadership in Cities (CLIC) programme, but with an added focus on climate resilience and adaptation.
- 4.18 While the UK has supported the development of nature-based solution (NBS)<sup>49</sup> pilots, these have been small-scale and have not yet generated transferable lessons. Our literature review finds that NBS offer an important opportunity to address environmental, social and economic objectives.<sup>50</sup> In strategic documents and from UK officials, we see increasing interest in potential nature co-benefits for green urbanisation. The UK's 2023 ICF strategy includes a commitment to increase investment in nature-based infrastructure.<sup>51</sup> The recent white paper also confirms that NBS is an area in which the UK wishes to build capacity.<sup>52</sup>
- 4.19 In the current urban portfolio, however, NBS are underserved. Although there are individual projects within larger programmes featuring NBS, there are few programmes in the portfolio that feature NBS prominently. The Department for Environment, Food and Rural Affairs' (Defra) Cities4Forests (C4F) programme is one exception, featuring projects that focus on the delivery and financing of NBS, but we understand that a decision has been made not to continue funding for a next phase. Our country case studies featured examples of using NBS in urban development programming (such as the Diep River system in Cape Town,<sup>53</sup> under UCAP and the Revitalisation of Informal Settlements and their Environments (RISE) project in Makassar under MCRUP – see **Box 7**). However, these examples were the exception. Senior staff at FCDO are aware that they have not prioritised NBS in the urban development portfolio, and have informed ICAI that progress on NBS has been to date constrained by availability of finance for NBS, limited evidence of impact and therefore value, and low FCDO capacity, given a lack of

46 See Dodman et al. (2022) cited in *UK aid for sustainable cities: literature review*, Independent Commission for Aid Impact, 2024, p. 15, [link](#).

47 See, for example, A 'whole systems' view of vulnerability of urban poor to climate change in the developing world, Haque, A. N., *Progress in Development Studies*, 2020, [link](#).

48 See, for example, *Saving lives and livelihoods: the benefits of investments in climate change adaptation and resilience*, Dicker, S., Unsworth, S., Byrnes, R. and Ward, B., Grantham Research Institute on Climate Change and the Environment and Centre for Climate Change Economics and Policy, London School of Economics and Political Science, 2021, [link](#).

49 Nature-based solutions are actions to protect, manage or restore ecosystems and to address societal and development challenges, simultaneously delivering human as well as biodiversity benefits. See, for example, *Nature-Based Solutions Initiative*, Oxford University, [link](#). In an urban context, these can be actions such as building ecological corridors for wildlife and human well-being in cities, creating urban forests and roof gardens with mitigation and cooling benefits, or river restoration that increases biodiversity and reduces flood risk.

50 *UK aid for sustainable cities: literature review*, Independent Commission for Aid Impact, 2024, available on the ICAI website, [link](#).

51 *Together for people and planet: UK International Climate Finance Strategy*, HM Government, 2023, p. 28, [link](#).

52 *International development in a contested world: ending extreme poverty and tackling climate change: A white paper on international development*, Foreign, Commonwealth and Development Office, 2023, p. 71, [link](#).

53 *Using nature-based solutions for flood risk management*, C40 Cities Finance Facility, [link](#).

climate expertise among urban advisers.<sup>54</sup> However, recent ICAI reviews have found that, in the period during which the UK co-chaired COP 26, FCDO considerably increased its climate staff positions,<sup>55</sup> which created an opportunity for building climate capability across the department. We also heard from a head of profession that climate and environment experts are readily available to provide advice and support to the infrastructure and urban cadre when needed. Lack of expertise does not therefore appear to be a credible explanation for the low penetration of NBS through the urban portfolio.

### Some UK sustainable cities programmes lacked credible links to poverty reduction, inclusion and engagement with the informal economy

- 4.20 While DFID's approach to urban development was historically focused on poverty reduction, over time, the emphasis of the UK's urban portfolio shifted towards programmes focusing on cities as engines for increasing productivity and creating jobs, and towards programming in middle-income countries. In 2015, at the start of our review period, the sustainable cities portfolio was mostly focused on delivering programmes in South Asia. DFID India was the single biggest spender, at 40% of the portfolio, with an emphasis on informal settlement improvement projects. Over time, the geographical focus changed, with an increasing number of programmes focusing on megacities in middle-income countries, including prosperity-focused programmes delivered by the former Foreign and Commonwealth Office (FCO), climate mitigation programmes by the former BEIS, and development finance investments by BII.
- 4.21 While many of the UK's urban development programmes have worked to address key constraints facing vulnerable groups, there are several examples of programmes in the portfolio that do not adequately address inclusion and the informal sector. The MCRUP and NUPRP programmes are good examples of programmes that recognised vulnerable populations and inclusive growth. We saw several programmes in Indonesia that made efforts to include disabled transport users in their interventions. By contrast, the CLIC programme, for example, did not have a strong focus on inclusion, and cities' climate action plans developed through the programme only met minimum requirements. The ICED programme sought to address inclusion through the generation of guidance, training and technical assistance. However, as acknowledged in its programme completion report, it is difficult to assess the result of this knowledge sharing as monitoring and evaluation systems did not effectively measure uptake and downstream impact. More generally, a lack of common metrics has made such measurements difficult across the portfolio as a whole. Experts in our stakeholder workshops told us that, despite the importance of the informal sector in many cities in developing countries, not enough is being done to incorporate the informal sector into programme designs more explicitly.
- 4.22 While the need to pursue minimum financial returns can make it more difficult to target inclusion through development finance, the UK's urban investments address inclusion only narrowly, and in some cases are not adequately ensuring that they meet the inclusion goals they have set for themselves. In Kenya, we saw that an investment funded by PIDG had made efforts to focus on gender, evidenced by its commitment to gender equality in identifying the people it aimed to benefit and in its employment policies. However, we saw no information regarding how gender was addressed in combination with other characteristics that could result in disadvantage or discrimination either across its investment more generally or within its existing gender equality initiatives. BII's investment in a provider of urban housing and regeneration projects in South Africa was designed to address gender by having 50% female 'primary tenants' in its properties. However, the team found that prior to BII's investment, female tenancy was already at 47%, indicating only modest incremental impact as a result of BII's investment, although the provision of a subsidised day care centre at one of the buildings did offer working mothers an affordable child care option. Nor did we find evidence signalling the investment's prioritisation of links to other facets of inclusion, including disability. The Development Impact Grid score for the investment – which measures the investment difficulty of the country where the investment is made and the propensity of the sector to generate employment and which was a key performance indicator under BII's 2017-2021 strategy – was 1.02 out of 4 at the time of investing (2021). This is below the aggregate Development Impact Grid score of 2.84 for the 2019-21 period.

54 While not relevant to programming and activities in scope for this review, it has recently been decided that the Infrastructure and Urban profession will be merged with the Climate, Environment and Energy professions into a single, larger cadre, also bringing in energy experts who currently sit outside both existing cadres.

55 See, for example, *UK aid's international climate finance commitments: a rapid review*, Independent Commission for Aid Impact, 2024, p. 15, [link](#).

- 4.23 Over time, programmes were increasingly based on theories of change that made assumptions about indirect poverty reduction channels, which often do not articulate how such investments will result in pro-poor benefits. Generally, programmes from earlier in our review period were better able to show direct and credible pathways to reducing urban poverty. NUPRP, for instance, was based on long-term UK engagement on urban poverty reduction in Bangladesh and addressed key challenges identified in poverty reduction and inclusive growth diagnostic studies. It also placed a focus on communities at climate risk – acknowledging that addressing both urban poverty and climate vulnerability has the potential to be transformational. Since around 2017, an increasing focus has been placed on indirect poverty reduction channels, including technical support to national and municipal governments on planning and capacity building, with increasingly less emphasis on direct ‘pro-poor’ interventions.
- 4.24 Some of this shift was caused by the change in the nature of the UK’s development partnership with India, with a shift away from ‘traditional’ aid programmes towards enhanced technical assistance and capacity building, reflecting India’s changing needs as a middle-income country. These later programmes were expected to result in improved delivery of services or finances, with the assumption that these would benefit the poorest and most marginalised. Our analysis of these and similar programmes across the portfolio reveals that the evidence for these pathways is often contested, and can be based on assumptions derived from higher-income country experience that do not hold when replicated.<sup>56</sup> Elsewhere, we heard that urban development programmes are often based on the assumption that such investments lead to the creation of new jobs and integration of people into the urban system. However, experts in our stakeholder roundtables noted that there was often a mismatch between the skills of many individuals and the opportunities available in urban labour markets.
- 4.25 UK technical assistance for sustainable cities in middle-income countries continues to be provided as a grant despite the greater capacity of recipients to fund this assistance themselves, relative to those in low-income countries. This is particularly the case in more decentralised countries where municipal budgets tend to be higher. For example, the budget of the city of Cape Town, which we visited as part of our case study of UK aid for sustainable cities in South Africa, amounted to approximately £3 billion in 2023-24, easily able to accommodate the relatively modest cost of UK technical assistance to the city. While the provision of climate finance support, including to middle-income countries, is consistent with meeting UK obligations under the United Nations Framework Convention on Climate Change (UNFCCC), several stakeholders pointed out that some cities in middle-income countries are better able to pay for technical assistance than in low-income countries. Moreover, they also benefit from access to UK networks, expertise and momentum that comes with UK support.

The UK has had a long-stated intention to extend its support beyond primary cities to secondary cities, but has made little progress

- 4.26 The UK has historically been at the forefront of recognising the importance of secondary cities for economic growth and facilitating development, but the relevance of secondary cities in the urban development portfolio has recently diminished. DFID had been recognised externally as one of the few bilateral donors that incorporated the needs of secondary cities in its thinking on urban development.<sup>57</sup> While some programmes we reviewed did operate in secondary cities, often programmes designed later in the review period did not specifically address secondary cities in their designs. The CLIC business case, for instance, noted that while the programme would target megacities in middle-income countries, UK funding for the Cities Finance Facility would provide additional impacts for secondary cities but only as part of city clusters anchored around a C40 city. The business case also noted as a disadvantage C40’s lack of focus on secondary cities at the time.<sup>58</sup> Meanwhile the GFCP, while operating in secondary as well as primary cities, does not give consideration in its approach to a distinction between primary and

<sup>56</sup> ICAI’s country portfolio review of India found that many programmes relied on long and sometimes unconvincing causal chains, and that the portfolio lacked a compelling development rationale overall (see *UK aid to India: country portfolio review*, Independent Commission for Aid Impact, 2023, p. 21, [link](#)). In its follow-up to the review, ICAI found that there had been some progress on development impact, but progress has not been as strong on inclusion (see *Follow-up: UK aid to India*, Independent Commission for Aid Impact, 2024, [link](#)).

<sup>57</sup> *Managing systems of secondary cities*, Roberts, B. H., Cities Alliance, 2014, p. 141 [link](#).

<sup>58</sup> *Climate leadership in cities: Business case*, Department for Business, Energy and Industrial Strategy, 2017, p. 26 (unpublished).

secondary cities, their differing needs, and how poverty reduction and economic growth should be targeted in a secondary city context. During a period of ODA reductions, the Cities and Infrastructure for Growth (CIG) programme decided to manage down its budget by decommissioning all urban work in secondary cities entirely, such as programme activities in Sekondi-Takoradi in Ghana (see para 4.47), Chipata and Solwezi in Zambia, and Jinja in Uganda.

### Box 6: Why secondary cities are important

The UK has long recognised that despite the large absolute numbers of people living in megacities, the fastest growth in urbanisation is occurring in secondary and intermediate-sized cities. The definition of a secondary city is not fixed, but contextual, depending on the country. Generally, they are considered to be subnational urban centres of around 100,000 to 500,000 inhabitants. Although secondary cities do not have the same diplomatic and international status as primary cities, they are important domestically. They perform significant government and business functions and play an important role in logistics supply chains and economic development. They are also a major aspect of service delivery in health, education, and other social services.

Secondary cities also face difficult challenges. Sometimes suffering from weaker governance and lower levels of investment, secondary cities can exhibit un-diversified economies with a significant informal sector. In centralised states, secondary cities often find it hard to raise funds through taxation or attract and maintain investment, leading to poor service delivery. Some secondary cities lack a clear economic role in their regional economy and may not have any significant potential for development. At the same time, secondary cities can offer unique opportunities for development interventions. As these cities are often at a relatively early stage in their growth and development, they present a potential window to intervene with greater impact, by working to ‘future-proof’ these cities where much infrastructure has yet to be constructed and planning is unconstrained by an already-built environment. Targeting investment towards secondary cities also plays an important balancing role for regions that may previously have been left behind, to foster sustainable growth and build resilience to future climate shocks.

- 4.27 The UK’s decision to look again at secondary cities has been driven by programmatic and pragmatic considerations. As early as 2015, DFID recommended that it should focus urban development efforts on rapidly growing secondary cities where it could make the most impact. More recently in the context of ODA reductions, FCDO has recognised that there are additional benefits to engaging in secondary cities where capacity and resources are low, and investing in secondary cities can be a way of having a larger impact within the context of limited funding. This is also a finding from evaluation reports to FCDO – which have included recommendations that the department (in the absence of the scale of capital required for large infrastructure projects) should focus on secondary cities where impact can be greater with more limited resources.
- 4.28 The UK’s prioritisation of secondary cities has the potential to be both distinctive and influential. Research outputs on secondary cities developed by UK programmes are viewed as being useful additions to an under-studied area. The publication *Connecting systems of secondary cities*<sup>59</sup> was viewed positively by experts we consulted. This, and other outputs developed by the UK, have influenced project implementation by the World Bank, for example in Uzbekistan. We also heard from UN Habitat that its engagement with the UK had stimulated it to build its own capacity in secondary cities. Stakeholders have commented that although the secondary cities focus of DFID, and then FCDO, was not necessarily unique, the UK’s way of picking it up and promoting it set it apart from other donors.
- 4.29 Despite being frequently cited by UK officials as a unique aspect of the UK offer, there has been no sustained progress in targeting secondary cities across the urban portfolio. In South Africa, while UK officials told us that their strategy for the country included a focus on secondary cities, and the stakeholders we interviewed confirmed that this had been well received, it was still a relatively new

59 *Connecting systems of secondary cities*, Cities Alliance and United Nations Office for Project Services, 2019, [link](#).

area of focus for UK aid to the country, and was yet to lead to concrete results. We also did not find that the UK had a clear strategy of how to engage with secondary cities, including how to engage with secondary city officials. Officials told us that work on secondary cities needs to be coordinated with embassies and high commissions to ensure relevance, but we did not see strong evidence of efforts to collaborate in this way. In our country case study of Indonesia, we saw an opportunity-driven approach taken by the embassy. This approach has generated benefits, and Indonesian delivery partners noted that the UK's work in secondary cities meant it had good local knowledge which set it apart from other donors. Despite having this dedicated team, staff in secondary cities are regionally (as opposed to city) focused, have a much broader remit than the ODA programme, and do not have the time or technical background to maximise the utility of their posting for the urban development programme. However, guidance on designing effective urban interventions, including that developed by the UK, notes that they are most likely to be successful when they are responding to specific city needs, and are planned with, and supported by, city leaders as partners.<sup>60</sup> When we spoke to urban experts in the private sector and academia, it was unanimously agreed that investing in secondary cities is of critical importance for both city and national development, but the majority of participants were unclear on the details of the UK's existing work in, or intended approach to, secondary cities.

### Conclusions on relevance

4.30 The UK has delivered largely relevant programming that has addressed most of the sub-goals of SDG 11, and has made attempts to be relevant to the needs and priorities of countries where programming is being delivered. Over time, the focus on climate change has improved, but less so in terms of adaptation and nature-based solutions. Although the UK has delivered relevant interventions, it has done so without a clear sense of purpose and direction, with increasingly indirect pathways to poverty reduction. This has raised questions about the relevance of some of its programming, particularly interventions focused on prosperity, investments in housing, and the delivery of technical assistance. Some UK technical assistance grants are supporting cities in middle-income countries, which may be able to finance the assistance themselves, although there may also be non-financial benefits associated with the grants such as access to UK networks. We have awarded a **green-amber** score for relevance on the basis of largely relevant programming, while noting a significant risk to this rating in the absence of a clearer theory of change for the portfolio as a whole.

### Effectiveness: How effectively is the UK's support for urban programmes achieving its intended results on sustainable cities?

4.31 In this section we examine the extent to which the UK has been able to achieve its objectives for sustainable cities. Where possible, we trace the contribution of UK aid to changes in peoples' lives, whether positive or negative. However, a lack of portfolio-wide monitoring data, as well as the difficulty in measuring the evidence of real-world impact attributable to interventions such as support for upstream services like city planning, has made this hard to measure in some cases.

#### The UK has helped cities improve the quality of their master plans and associated strategies and action plans, and promote citizen involvement and inclusivity

4.32 The UK has successfully supported the development and adoption of city master plans. For example, the GFCP, which was active from 2019 to 2022, supported an improved Sustainable Urban Mobility Plan (SUMP) for Istanbul, published in 2022. The SUMP aims to enable: 1) the transition to a low-carbon economy; 2) seamless integration of modes of transport; and 3) reducing congestion. The Ministry of Transport and Infrastructure in Turkey is now investing in the development of a project pipeline for SUMP. In Thailand, the programme supported the development of a master plan for transit development in Bangkok, developed with local community engagement, and in Melaka City, Malaysia, it supported a Green Transport Master Plan. This provided for two pilots of digitisation of bus information for passengers, and the use of e-bicycles in the heritage area of the city. The Melaka pilots have attracted interest from other cities across the state of Melaka.

60 *City development strategies 2.0: Cities growing with vision*, Cities Alliance, 2017, [link](#).



- 4.33 Mainstreaming inclusion into spatial strategies has been an important feature of the UK's support for planning. For example, FCDO supported planning and city management in 19 cities globally to foster urban environments that enhance inclusive economic growth, reduce poverty and gender inequality, and are safer and more resilient. In the Philippines, the New Clark City Central Park was awarded a prize (Analysis and Planning category) in a competition organised by the Singapore Institute of Landscape Architects in 2022. The Surabaya Urban Transformation Project won the Best International Future Place Award in the annual Golden Pineapple Awards, jointly sponsored by the UK's Design Council. The award recognised the project as an example of excellence in partnership and collaboration to create a new set of urban design guidelines, developed with the local community, to transform a marginalised and run-down red-light district, providing stable employment and services for former sex workers.
- 4.34 FCDO has also supported communities in low-income settlements to mobilise and engage in planning. For example, with support from NUPRP, 19 municipalities and city corporations in Bangladesh adopted inclusive climate-resilient urban development approaches such as informal settlement mapping, community action planning, and city-wide plans and budgeting. NUPRP supported the development of 3,239 Community Action Plans (CAPs) to enable all stakeholders, including vulnerable and marginalised people, to participate in identifying their needs with service providers. A large majority (87%) of CAPs have been implemented through NUPRP support since project inception. All 19 towns and cities adopted and completed Climate Change Vulnerability Assessments to help build climate issues into municipal action plans.
- 4.35 In a number of countries, FCDO also enabled the development of Smart City strategies and associated pilot initiatives. In Turkey, the GFCEP supported a Smart City strategy for the city of Bursa, launched in 2022. Bursa is now one of an international peer group of 'smart cities'. In Egypt, GFCEP supported the delivery of a Smart Integrated Mobility Management System Implementation Strategy for the city of Iskender, which collects data to inform policy and improve network management. The project's Pilot Citizen Feedback Portal, which was developed jointly with partners in Malaysia, was recognised with an Esri Malaysia Geo Innovation Award.

#### Technical assistance was generally aligned with the priorities of city mayors and officials

- 4.36 The UK has helped increase the data available to policymakers and researchers working in cities, developed tools to help analyse these data, and contributed to increased knowledge of cities, including through its research programmes.
- 4.37 UK aid to support the establishment of credible and accessible data to underpin urban planning and implementation decision-making has been extremely well received. Officials from the municipalities of Cape Town and eThekweni highlighted to us the UK's success in addressing a gap overlooked by national, municipal and local governments, as well as other development partners, and emphasised the collaborative approach taken by the UK in these instances. Officials from the municipality of eThekweni also highlighted the role that data can play in understanding spatial inequalities resulting from the legacy of Apartheid, with the UK's technical assistance under the GFCEP supporting data-driven service delivery in informal settlements. The UK's technical assistance informed actions to redress these inequalities in informal settlements by enabling the municipality to monitor rapid land-use changes and more effectively target informal settlement upgrade plans and service delivery. However, the effectiveness of the project was reduced due to low community engagement. Interestingly, eThekweni municipality has organically combined the outputs of Future Cities work on transport-oriented development with data management systems to support holistic urban development in the metro and townships. The officials have shown a willingness to share their experiences with other municipalities, aiming to improve their information systems and bolster their capacities.
- 4.38 The UK support to the GFCEP in South Africa illustrates how improved data can assist better decision-making and resource allocation to support marginalised communities. The programme was delivered by a PwC-led consortium, with the Violence Prevention through Urban Upgrading (VPUU) programme in charge of delivering its community engagement component. The VPUU programme illustrates how improved data can assist better decision-making and resource allocation to support marginalised communities. In the Western

Cape, our engagement with citizens in three informal settlements where VPUU had been active indicated that the programme had helped increase the availability of improved toilets, water taps and streetlights.

### The UK has had success supporting more effective tax systems, expenditure management and public financial transparency in cities

- 4.39 In Freetown, Sierra Leone, the UK, working with the International Centre for Tax and Development, the International Growth Centre and others, helped fund a comprehensive overhaul of the city's obsolete and regressive property tax system. In 2018, the newly elected Mayor of Freetown, Yvonne Aki-Sawyerr, made revenue mobilisation – especially property taxation – central to her 'Transform Freetown' agenda. By April 2020, 95% of properties in Freetown were mapped and valued – doubling the number in the register. According to the International Monetary Fund (IMF), the results have been a "resounding success", with revenue increasing tenfold since 2019, enabling the city budget to be self-sufficient and boosting service delivery. Recent survey data indicate an increase in support among citizens for progressive taxation along with increased demand for improved services.<sup>61</sup> The IMF notes that the innovative use of digital technology is a benchmark for other countries in sub-Saharan Africa on taxation of property and real estate.<sup>62</sup>
- 4.40 In Bangladesh, the UK has worked with local government to raise revenue and improve tax collection. Local tax revenue strategies have been developed for eight municipalities to improve local tax collection. Of the 11 programme cities assessed to date, on average one-third of total tax revenue is mobilised at the local government level. The business case expected the programme to deliver a 25% increase in local revenue collection by the end of the programme. Progress and NUPRP's contribution to it is part of the ongoing monitoring strategy.
- 4.41 The UK has also worked with municipalities to improve expenditure management. There is early evidence of local governments making more informed choices and increasing the budget allocations for pro-poor activities as a result of this support. For example, through NUPRP, standing committees have been introduced to recommend pro-poor budget allocations to municipal councils based on poverty data (multi-dimensional poverty maps have been created in 534 wards across 20 cities). Nineteen towns or cities in Bangladesh have increased their pro-poor budget allocation by at least 25% relative to the previous financial year.
- 4.42 FCDO also provided technical assistance and advocacy to increase transparency, reduce corruption and enhance value for money in the procurement of public sector infrastructure projects. The Coalition for Urban Transitions, funded through ICED, helped strengthen the quality of infrastructure governance across a range of countries and expanded the breadth of its membership. It developed and published a methodology for an Infrastructure Transparency Index, trained over 5,200 government officials and 3,200 representatives of civil society and the media on how to use it, and influenced eight multilateral organisations to recommend the use of CoST Infrastructure Data Standard<sup>63</sup> as a tool for improving the procurement of infrastructure projects. These activities, along with 'formal disclosure requirements' that mandate disclosure in countries such as Malawi, Panama and Guatemala, and new data and e-procurement platforms in countries such as Honduras, Ukraine and Thailand, have resulted in data being disclosed on over 37,000 projects.

### The Africa Cities Research Programme has completed initial studies to identify priorities in participating cities, but it is too early to assess their uptake by policymakers

- 4.43 The Africa Cities Research Programme (ACRP) aims to contribute to increased urban prosperity, stability and improved living standards through multi-sectoral research which stimulates innovative action to identify and address urban governance constraints that hold African cities back from realising their full potential.

61 *The politics of taxation and tax reform in times of crisis: Covid-19 and attitudes towards taxation in Sierra Leone*, International Centre for Tax and Development, 2023, [link](#).

62 *Sierra Leone selected issues*, International Monetary Fund, 2022, [link](#).

63 For more information on CoST please see the Infrastructure Transparency Initiative, [link](#).

4.44 ACRP research aims to investigate three main areas: (i) political settlements (the distribution of power across interest groups); (ii) cities as systems (such as education, healthcare, finance, political participation, neighbourhood economies and media); and (iii) issues like housing that shape and are shaped by other development priorities (such as finance). Research on understanding how these three concepts work together in a city, as well as on three cross-cutting themes – climate, finance and gender – is being used to identify large, multi-sectoral Priority Complex Problems for further research. This will be the work of a four-year implementation phase, starting mid-2023, with the goal being both to co-produce knowledge and evidence, and to turn this into meaningful action. It is therefore too early to assess uptake, as the programme has only recently completed its foundation phase. The programme has monitoring and evaluation systems in place to track and assess results and, eventually, progress against key performance indicators.

#### UK programmes have helped mainstream resilience for vulnerable communities into urban planning

4.45 The UK has supported the development of specific tools, instruments, processes and regulations to better incorporate resilience into city planning. For example, the UK supported the Urban Climate Change Resilience Trust Fund (UCCRTF), which is managed by the Asian Development Bank (ADB). This fund has helped integrate resilience principles into the development plans of national and subnational governments in Asia to reduce risks for the urban poor from climate change and natural disasters. Resilience principles were developed as part of this support and include: combining hard and soft measures including some nature-based solutions (see **Box 7**); engaging diverse perspectives; recognising the inter-connectedness of markets and economies within and beyond city boundaries; embedding a long-term vision; tapping into local expertise; building leadership and local action; and focusing on vulnerable communities. The UK supported integration of these resilience principles into the urban plans for 35 cities (including 18 cities in the Philippines and cities in Bangladesh, Indonesia, Pakistan and Vietnam), as well as national development strategies for these countries and also India. We also heard that resilience principles helped guide ADB to integrate climate change into its lending beyond ‘future-proofing’ investments, and supported a deeper understanding of how cities work.

#### Box 7: Managing climate risks for the urban poor: RISE project

Although the UK has not focused on nature-based solutions in its bilateral urban programming, there are examples where these approaches have been effectively deployed as multilateral programming part-funded by the UK. In Indonesia and Fiji, ADB’s UCCRTF, with UK financing, supports the Revitalisation of Informal Settlements and their Environments (RISE) project. The RISE project implements nature-based interventions such as wetlands and bio-filtration gardens to deliver cost-effective and sustainable health and environmental improvements for those living in informal settlements. The project works closely with communities, governments, local leaders and partner institutions to ensure that interventions are location-specific and co-designed. RISE will collect new evidence on the impacts that water-sensitive upgrades have on urban settlements, with the aim of scaling up the approach across the Asia-Pacific region, resulting in future health and well-being benefits to potentially millions of people living in urban informal settlements worldwide.

“ RISE is very helpful; we have clean water and roads. There used to be no road. We received help with toilets, water storage and some house renovation. Health in the community has been better since the RISE project began. ”

*Woman resident, Makassar*

4.46 The CLIC programme (2018-21) worked in Africa, Asia and Latin America to: (a) support 15 megacities to develop comprehensive Paris-aligned climate action plans, committing to net zero emissions by 2050; (b) support 16 cities to develop bankable low-carbon infrastructure projects; and (c) build research and evidence for the necessity and positive impacts of taking climate action in cities. With UK support, 15

cities have developed and adopted climate action plans that are compatible with a 1.5°C global warming target, with pathways to net zero for 2050 and ambitious interim 2030 targets. If fully implemented, the commitments made by these 15 cities are projected to lead to a reduction in emissions of around 304 million tonnes of carbon dioxide equivalent (tCO<sub>2</sub>e) in 2030 and 840 million tCO<sub>2</sub>e in 2050, against the cities' business-as-usual forecast. Previously, only one of the 15 participating cities had a public emissions reduction target, which was for 2030 and not aligned with the Paris Agreement.

- 4.47 In Africa, the UK has also supported the development and take-up of tools that help analyse data and improve decision-making. CIG supported improved flood risk mapping in the secondary cities of Tamale and Sekondi-Takoradi in Ghana that has been adopted by these cities to overlay existing urban plans. Both cities have now used the flood risk mapping work to guide future development. In Cape Town, we heard from city officials that UK support under the GFCEP for building a cost-benefit analysis tool and training city officials had been highly impactful, as was work to improve data governance. This helped Cape Town officials improve decision-making in respect of water (for instance, pressure meters) and energy (for instance, mini-substations) asset management, often in informal settlements. Improved data also helped decision-making around the siting of temporary clinics during the COVID-19 pandemic as well as the need for additional capacity in cemeteries and crematoria.
- 4.48 In Asia, UK support for data and analytics has helped make vulnerability to climate change and multi-dimensional urban poverty more visible to local decision-makers. For example, the SPADE application developed by the MCRUP programme supports climate risk-informed planning and design across ADB investments in the urban development sector, and it has now also been adopted as the interim ADB-wide geographical information system platform. In Makassar City and in the South Sulawesi district, Indonesia, the UK PACT programme funded urban climate risk assessments to assess the risks facing communities and infrastructure in the region from climate change and climate-related disasters. In Bangladesh, investments in data and analytics have helped make multi-dimensional urban poverty more visible to local decision-makers, including through the development of a multi-dimensional poverty index platform. Third-party monitoring confirmed that all 19 cities in NUPRP were using the poverty atlas in their planning and budgeting process. While both the NUPRP and MCRUP programmes were the focus of external evaluations and consistent monitoring, this was not true for all programmes across the portfolio as a whole, making it difficult in some cases to assess the extent to which UK support to data and analytics has been effective.

#### Most programmes and investments have mainstreamed gender, equity and social inclusion

- 4.49 Despite the lack of pathways to poverty reduction in some infrastructure programmes, the UK has shown – particularly in programmes designed in the early part of our review period – that its approach to inclusion can be effective, when appropriately considered from the outset and built into programme design. For example, stakeholder engagement was a priority across initiatives delivered by ADB and supported by the MCRUP. Thirty-six cities engaged stakeholders in multi-sectoral and iterative processes to inform planning and project design through the support of an Oxfam-led coalition of NGOs. The project further supported 31 community-led project initiatives for targeted vulnerable communities.
- 4.50 In Johannesburg, a BII investment in a provider of urban housing and regeneration projects rents flats to working-class tenants, with women making up 50% of those signing rental agreements. Although the company does not explicitly target women in its marketing or tenant vetting process, there is evidence that it is becoming more sensitised to the needs of women through its investments in facilities for children and increased security. Safety is a critical concern and needs to be a core part of planning for transport and street design (such as lighting). Safety for women was an issue addressed in NUPRP through the establishment of over 160 'safe community committees'. In Bangladesh, the NUPRP project design was structured around the policy of 'leaving no one behind', inclusive planning, community platform-driven actions, empowerment of women, an integrated approach to poverty reduction, and development management. NUPRP's focus on inclusive urban development has prompted an important national debate in this area. The programme focus on gender and women's empowerment has led to greater ownership, leadership and representation in city development plans.

- 4.51 FCDO urban programming has often been effective in directly addressing the needs of people with disabilities. For example, support for urban transport programming in Jakarta had a strong disability focus in its design, to ensure that people with disabilities could access buses and trains and that concourses were appropriate. In Semarang, the programme for earthquake disaster preparation also had a strong focus on disability, for example ensuring that facilities were accessible to blind people through the use of hand guardrails and touch sensitivity for escape routes.

“ I’ve ridden an electric bus. I am a TransJakarta (TJ) user and am in the TJ user community. The electric bus is quite good, quiet, quite a lot of facilities. ”

*Blind public transport user, Jakarta, Indonesia*

- 4.52 However, some UK support for sustainable cities should have been more inclusive in design. For example, in Makassar we spoke to one of the researchers involved in background studies for the Sudirman Loop, supported through UK PACT, who noted that as far as they were aware, disability had not been considered. Even programmes that had made efforts to address disability in their design faced challenges during delivery. Our citizen engagement in Indonesia revealed that disabled users had not been fully considered at the project design stage, and that the electrification programme inadequately addressed the needs of disabled public transport users, particularly those with visual impairment who have concerns about road safety around electric vehicles.

“ The perspective of the blind is how we can hear the electric motorbikes so we can avoid them in the road...problem is even at three metres away they can’t be heard. ”

*Blind road user, Jakarta, Indonesia*

### The UK has not mobilised significant private urban finance, either directly or through supporting the development of financial markets

- 4.53 The mobilisation of private finance is central to the UK’s ambitions, including through the work of BII and British Investment Partnerships (BIP) and from investors in the City of London, with a new BII investor desk established to develop relationships with private investors. These are positive initiatives.
- 4.54 There is reasonable risk appetite from private investors for urban assets, most notably for infrastructure assets in leading middle-income countries. However, there are significant barriers to investment in many contexts, and mobilising private finance remains challenging. For example, in the Global Infrastructure Programme in Indonesia, we were told that even well-prepared projects have difficulty finding finance because of the wider investment environment, with delays of up to three years in securing funding for prepared projects.
- 4.55 FCDO has not realised opportunities for scaling up private finance for sustainable cities, and we saw a very limited number of large-scale urban infrastructure projects where the department had played a significant role in mobilising private finance. Although some projects have attempted to do this, a lack of cross-portfolio monitoring and reporting makes it difficult to judge the level of success.
- 4.56 A potential role for FCDO in mobilising private finance is to lead innovative financing structures and projects that provide demonstration projects and deliver market-building effects. Here we saw some strong examples. For example, FCDO was instrumental in supporting the issuance of Kenya’s first green bond. This transaction notably showed that FCDO can combine long-term market-building with demonstration transactions through cross-government coordination. In this transaction, FSD Africa<sup>64</sup> had provided long-term technical assistance through partnerships with Climate Bond Initiative and Kenya Bankers Association to build regulatory and market capacity and investors’ knowledge of sustainable investments. This laid the

64 Financial Sector Deepening Africa (FSD Africa) was established in 2012, and is funded by UK aid, with a mandate to transform financial markets across sub-Saharan Africa. See [link](#) for more details.

groundwork for the specific green bond issuance from Acorn that was supported by FCDO staff and provided an innovative demonstration transaction for the development of African green bond markets.

- 4.57 Such multi-dimensional programming has received positive feedback from partners. For example, partners commented that FCDO has been particularly effective in advocating for market-building, emphasising how to enhance economic productivity in urban areas by fostering business growth, developing markets and supporting businesses. However, participants in the stakeholder workshop felt the UK could still do more to leverage its influence on financing mechanisms, including demonstrating opportunities for innovative finance.

#### The UK has struggled to mobilise private finance for projects that generate a sufficient revenue stream while also benefiting those on incomes below levels usually acceptable to commercial investors

- 4.58 The Kenyan transaction funded relatively expensive student housing rather than addressing more affordable housing gaps, given that up to 70% of Nairobi's residents live in informal housing. The justification provided by FCDO was that the transaction's impact was through demonstration and market-building effects, rather than direct financing. We would consider this an appropriate rationale had follow-on green bonds materialised. However, although FCDO sought to support a further green bond issuance (for a sovereign bond), this has not materialised.
- 4.59 Similarly, an investment by BII in a provider of urban housing and regeneration projects targeted the lower end of the commercially viable housing market in Johannesburg, limiting any claim to be affordable housing for low-income groups. Part of the rationale provided for this investment was its market-building impact but, as with Acorn, there was little evidence of any market-building effects in practice.
- 4.60 Some stakeholders we consulted also expressed scepticism about FCDO's work in raising private finance, although others expressed some enthusiasm about continuing to work with the department.

#### Technical assistance for urban projects has not adequately embedded plans to mobilise finance for their execution, undermining its value

- 4.61 In 2021, BII published an insights evidence review entitled *What's the impact of investing in urban infrastructure in Africa?*<sup>65</sup> The report highlighted that donors can play a key role in facilitating and mobilising investment for public-private partnerships in sectors which are otherwise difficult to fund, such as water and waste management.
- 4.62 FCDO has undertaken technical assistance programmes with the aim of building capacity in city administrations to improve, for example, climate adaptation and mitigation planning, infrastructure planning and procurement. The majority of these projects attracted positive feedback, with interviewees reporting good engagement and satisfaction with the technical assistance that they received. For instance, in South Africa, positive feedback was received about embedded advisers and the focus on strengthening planning capacities, and in Indonesia there was positive feedback about technical assistance to develop transport networks in Jakarta and Makassar. Overall, the programmes appeared of good quality and well executed.
- 4.63 However, as highlighted by BII's report, successful mobilisation of urban financing requires integration with project preparation at an early stage. This was largely absent from the technical assistance programmes we reviewed. We heard from experts, other donors and recipients of UK funding that close, early collaboration with follow-on investors is not consistently undertaken, and is often not an explicit part of programme design. Private sector stakeholders commented on this weakness, saying that the UK has been less successful than other donors at mobilising finance and that one of the reasons was that financing is not considered at an early stage. This results in technical assistance failing to lead to investments.
- 4.64 For example, in Indonesia, lack of access to, or problems with, managing financing was repeatedly identified as a problem for urban authorities at both national and municipal levels, including in secondary cities. In relation to UK programming, there was a repeated view that the technical advice in its various forms had been

65 "What's the impact of investing in urban infrastructure in Africa?", BII Insight, British International Investment, 2021, [link](#).

helpful, including, for example, feasibility studies and design planning. There were a few programmes with successful integrated financing through establishing partnerships with financing institutions at an early stage of planning. For example, ADB's UCCRTF via MCRUP developed projects with effective links to ADB financing. However, more often technical assistance had not led to execution because of a lack of financing. This was the case, for instance, in relation to pedestrian schemes in Makassar.

- 4.65 Development partners and investors also commented that FCDO either duplicates project-level feasibility studies or produces feasibility studies that are not used by investors, who typically want to undertake their own due diligence. They also commented, however, that this was not exclusively an issue with FCDO, but one relating to the broader issue of donor coordination.

#### The scale and duration of a typical UK aid programme is not always sufficient to fully implement complex urban infrastructure projects

- 4.66 This point was identified by the ICAI review of DFID's transport and urban infrastructure programmes.<sup>66</sup> It was reinforced by the experience of the Infrastructure and Cities for Economic Development programme, which illustrated the need for urban planning and infrastructure programmes to have a time horizon of at least seven or eight years to reflect the time and resources required to: a) engage effectively with UK embassies and high commissions; b) design and complete urban infrastructure projects and; c) ultimately determine whether such projects foster inclusive economic growth in FCDO partner countries.
- 4.67 The 'patient capital' provided by BII and PIDG prioritises investments of at least £20 million, often over periods of up to 15 years. However, grant-funded programmes are much shorter, and this has proved a constraint on their effectiveness. In the MCRUP programme, it became apparent that the time required for a significant shift in ADB practice and to deliver resilient infrastructure investments was longer than the programme's timeframe. Three years into a planned five-year programme,<sup>67</sup> 55% of funds had not been approved. Long delivery timeframes are standard for infrastructure projects, and ADB's UCCRTF had been working at pace, but because MCRUP did not adequately factor infrastructure project cycle timeframes into its design, a disconnect between DFID and UCCRTF timeframes became apparent.<sup>68</sup> As a result, the level of risk on MCRUP increased from medium to major. MCRUP's final evaluation found that the programme had been effective, with \$55.6 million of support linked to \$5.7 billion of approved ADB investment during 2013-22. However, the results were achieved mainly in the final four years of the programme, demonstrating the benefits of longer-running programme implementation.
- 4.68 Similarly, NUPRP noted that the ability to deliver on its intended goals was hampered by a slow start to implementation, as the activities were complex in nature and dependent on local governments' decisions and resource mobilisation. UK officials, private sector interviewees and delivery partners confirmed that a short project cycle is problematic in the context of long-lasting urban infrastructure investments. FCDO staff acknowledged challenges with programme duration, particularly when supporting long-term investment plans. Interviewees stated that committing to longer infrastructure projects, beyond the typical four-year cycle, is "essential". This was echoed by multiple private stakeholders, who cited short-termism as a key constraint to securing sustainable investment. Stakeholders noted that the short-term nature of programmes can incentivise the pursuit of 'quick wins', resulting in programmes designed around outcomes that can be implemented in the time available, whether or not this is sustainable. One delivery partner confirmed that "if you want long-lasting impact and brand recognition, you need to be there longer and more continuously".

#### The lack of metrics to measure the performance of the UK's support for sustainable cities undermines the UK's ability to assess its impact as a whole

- 4.69 Despite examples of interventions that have been both relevant and effective, weak programme monitoring and, in some instances, a lack of common metrics across programmes and inconsistent

<sup>66</sup> DFID's transport and urban infrastructure investments, Independent Commission for Aid Impact, 2018, [link](#).

<sup>67</sup> The project was given two no-cost extensions, extending the project end period from 2018 first to 2021, then to 2023.

<sup>68</sup> DFID's transport and urban infrastructure investments, Independent Commission for Aid Impact, 2018, p. 31, [link](#).

data gathering prevent consistent cross-portfolio monitoring and hamper lesson learning and strategic management of the portfolio. Although individual programmes typically include targets and indicators to enable monitoring of the achievement of outputs and outcomes, a lack of consistent metrics across the portfolio makes it difficult to assess how the sum of UK programmes is contributing to sustainable cities. This makes assessing the relative effectiveness of different intervention types difficult and makes it particularly difficult to measure the likely downstream impact of the portfolio as a whole.

### Conclusions on effectiveness

4.70 UK support for sustainable cities has been particularly effective in providing upstream services such as planning, feasibility and data studies, local revenue administration and local public financial management finance, leading to intermediate results such as greater attention to resilience in urban planning. However, a lack of portfolio-wide monitoring makes it difficult to identify the overall impact of this support. Both BII and PIDG have leveraged private finance into urban housing projects, but there is little evidence of market-shaping activity. The ACRP is not yet advanced enough to allow for a judgement on effectiveness. Overall, we heard sufficient feedback from city officials and other stakeholders and saw enough documentary evidence of changed approaches in city administrations to award a **green-amber** score for effectiveness.

### Coherence: How coherent is the UK's approach to promoting sustainable cities?

4.71 In this section we examine the coherence of UK aid for sustainable cities, including the complementarity of UK aid with other development partners' efforts to promote action on sustainable cities.

#### Fragmentation across the UK's programmes and investments on sustainable cities hinders coordinated action and effective delivery

4.72 There is no single entity with oversight of UK ODA funds for sustainable cities. Nor is there a clear description of roles and responsibilities for sustainable cities, either across departments or within FCDO. The 2015 *Sustainable cities for growth policy framework* was the last time the UK formulated a comprehensive policy statement on sustainable cities, but this was never published. It is unclear how well distributed this framework was, and how well centrally managed and country-led programmes funded by the UK aligned with the framework. During 2015-22, urban development teams were therefore operating under a dispersed governance structure and without an explicit set of objectives, although ICF 3's focus on Sustainable Cities, Infrastructure and Transport does allow a greater potential for oversight.

4.73 The majority of ODA programming for sustainable cities is located in FCDO, where the Resilient Cities and Infrastructure Team (RCIT) acts as an implicit policy lead in this domain. However, programming is also distributed across other departments, notably the Department for Energy Security and Net Zero (DESNZ, formerly BEIS) and, to a lesser extent, Defra. There is also research funded by the Department for Science, Innovation and Technology (DSIT), such as the GCRF which had sustainable cities as one of its global challenge areas. This partly reflects how cities, which are spatial entities, are relevant for multiple sectors, and that improvements in cities, such as air quality, housing or transport, can benefit other agendas such as climate change, health or economic prosperity, and benefit from them. It also highlights how potential synergies in expertise held across government can support sustainable cities.

4.74 Before the merger between FCO and DFID, there used to be informal monthly discussions between DFID, Prosperity Fund and BEIS policy leads working on urbanisation to provide updates and identify areas of overlap and synergy, such as between the Climate Leadership in Cities and Global Future Cities programmes. Since the merger, however, there appears to have been only limited interaction between DESNZ and FCDO in this area. For example, the Climate Investment Fund is expected to launch its Climate Smart Cities programme, where FCDO has considerable experience, but there has been limited interaction between the two departments in its development. Defra's small Cities4Forests (C4F) programme has had low visibility over the review period and there has not been enough transparency over the extent of the programme's activities and budget. Defra's C4F team has had limited interaction with FCDO staff working on cities, both centrally and with embassies and high commissions. Steps have



been taken over the last year to improve these engagements. However, while Defra made efforts to interact with FCDO's Climate and Environment department, and reached out to FCDO staff working on forests in Jakarta, which is one of the programme's key cities, this did not result in links being made with FCDO's urban team centrally, or with the urban team based in Jakarta. This is surprising given the relevance of the C4F programme to sustainable cities. Defra has acknowledged that it could have done more to ensure these links were made, but pointed to the difficulty of doing so in a small programme spread over a large number of countries. Defra has expressed a willingness to strengthen knowledge sharing between departments, particularly around their experience of delivering an urban programme with a strong nature element, now that the department's involvement in C4F has concluded.

- 4.75 Sustainable cities programming is also dispersed across several directorates within FCDO. Over the review period, there have been many centrally managed programmes and several different delivery lines across FCDO working directly or indirectly on sustainable cities, including Research and Evidence, Water, Sanitation and Hygiene (WASH), and Infrastructure. The ACRP, for example, was co-designed and co-funded by five research teams from across DFID's Research and Evidence Division. There are also complementary areas of practice and expertise within FCDO, such as the Global Food Security, Agriculture and Land Department,<sup>69</sup> which has considerable expertise in land tenure, planning and rural-urban issues that has not been fully leveraged in sustainable cities programming.
- 4.76 The dispersion of sustainable cities programming across numerous teams and departments increases the time and resources needed to communicate and coordinate activity. We heard that during implementation of CLIC, CIG and the GFCP, an informal cross-government cities policy group met every quarter, involving officials from DFID, FCO, BEIS, the Department for International Trade (DIT) and the former Ministry of Housing, Communities and Local Government (MHCLG; now the Department for Levelling Up, Housing and Communities, DLUCH). Other informal groups included the Cities and Infrastructure Policy Group, the International Infrastructure Forum, and an Urbanising Development mailing list. The purpose of these networks was to share information, identify opportunities to promote urban policy, and align activity. However, UK-supported programmes in our sample revealed that cross-departmental collaboration in practice was quite limited. At country level, we saw limited information sharing and collaboration between different UK government teams in South Africa and in Indonesia, including central directorates in the UK, and assessed that this posed a risk to the overall effectiveness of sustainable urban development efforts in those countries. Many of the staff interviewed reported limited interaction between FCDO's RCIT and other programme managers or advisers within FCDO and across government with expertise and experience related to sustainable cities in the planning and delivery of programmes. However, RCIT reports that it shares information, expertise and reading materials with FCDO colleagues, although this is not always regular. Equally, it is unclear whether lessons learned from city programmes have been applied to other areas, including for example WASH programmes which operate within urban contexts such as FCDO's Rehabilitation of Freetown's Water Supply System programme.
- 4.77 Before the merger, there was a failed attempt by FCO and DFID to formalise the informal cross-government cities policy group into an International Development Cities Unit (IDCU), which intended to promote an integrated approach to policy development and programme complementarities both centrally and in-country, and leverage the potential benefits that could result from deploying the UK's urban policy priorities and influencing role together across different UK government departments. A similar cross-government group (the International Forests Unit) focused on policy and coordination exists for the forests portfolio, which includes FCDO and DESNZ, and works with Defra on a needs basis.<sup>70</sup> The IDCU was a missed opportunity to develop an international urban policy on a limited number of strategic priorities; to align, oversee and coordinate cross-government activity on urban policy and programmes; to understand what has worked, what hasn't and why in the establishment of these structures; and to act as a united focal point for UK institutions and international fora, such as the World Urban Forum and Urban 20. Despite several working-level iterations, and partly due to contextual developments such as COVID-19, ODA budget

69 Formerly known as the Food, Land and Governance team.

70 *International climate finance: UK aid for halting deforestation and preventing irreversible biodiversity loss*, Independent Commission for Aid Impact, July 2021, [link](#); *ICAI follow-up review of 2021-22 reports*, Independent Commission for Aid Impact, July 2023, [link](#).

reductions to major programmes such as CIG, GFCP and CLIC, and subsequently the merger of DFID and FCO, the proposal was not endorsed by senior management.

### The coherence of sustainable cities programming has been negatively affected by ODA budget reductions and the FCDO merger

- 4.78 UK aid budget reductions and the FCDO merger created challenges for sustainable cities programming, contributing to a more thinly spread and fragmented set of programmes. Where there were data on planned and actual spend for cities programmes,<sup>71</sup> 53% were listed as having underspent based on initially planned budgets. It was also unclear from published sources which programmes were stopped, delayed or had experienced budget reductions. All programmes in our sample that were still operating after COVID-19 and aid budget reductions had experienced reduced budgets and delays to programming. For example, the centrally managed GFCP had its budget reduced from £80 million to £53 million, while CIG ended all its programmes in secondary cities and its budget allocation was reduced from £165 million to £51 million.
- 4.79 The FCDO merger offered an opportunity to rationalise UK aid for sustainable cities, given that DFID and FCO (under the Prosperity Fund) had different but mostly complementary approaches to sustainable cities programming. As part of the merger, three programmes – CIG, Global Infrastructure Programme (GIP) and GFCP – were combined together into the Green Cities and Infrastructure Programme (GCIP), while DFID and FCO Prosperity Fund staff working on cities and infrastructure were also merged into a common structure. However, stakeholders noted that the merger had not improved coherence. FCDO continued to experience coordination challenges, both internally, and externally with the former BEIS despite its relatively limited urban programming. There was a lack of clarity on where responsibilities and expertise lay across government, and which areas of programming were being retained. The dispersion of new roles and responsibilities under FCDO exacerbated capacity issues and the ability to coordinate work on sustainable cities. However, the new GCIP appears to be an example of how to better combine FCO and DFID approaches.
- 4.80 Coordination among different parts of the UK government working on sustainable cities is managed by the small Resilient Cities and Infrastructure Team (RCIT) within FCDO, which experienced a loss of expertise and lacked adequate staffing to understand programming, generate and internalise lessons, and inform future decisions effectively, contributing to the issue of fragmentation. This has been clearest over the last few years, following the loss of development expertise as a result of the merger,<sup>72</sup> including the departure of urban advisers who helped enhance the coordination and visibility of sustainable cities programmes. FCDO has also experienced challenges in recruitment for UK-based technical experts in cities and infrastructure. RCIT currently has just one individual dedicated exclusively to cities and urban development policy, reporting to the Head of RCIT with several responsibilities, and four technical advisers, with no dedicated expertise in climate change or resilience. During the review period, RCIT managed six programmes totalling £265.9 million in planned spend,<sup>73</sup> as well as direct funding relationships with institutions such as the World Resources Institute, World Bank and Cities Alliance. This has since been reduced to two programmes totalling £93.8 million in planned spend.<sup>74</sup>
- 4.81 The absence of interoperable information systems to facilitate access to information about programmes and investments funded by different UK entities has exacerbated the issue of fragmentation. FCDO and other UK government departments collect a substantial amount of data on programmes' benefits and costs. However, there is a demonstrable deficiency in record keeping and a lack of analytical capacity to understand UK aid for sustainable cities as a whole, including programmes' results, which hinders effective coordination, knowledge sharing, and informed decision-making. The lack of a clear strategy for sustainable cities covering the full range of programmes has also exacerbated this issue, with no

71 Data were available for 47 programmes, primarily FCDO-operated programmes.

72 *UK aid under pressure: a synthesis of ICAI findings from 2019 to 2023*, Independent Commission for Aid Impact, September 2023, [link](#).

73 This includes: Infrastructure and Cities for Economic Development (ICED), Cities and Infrastructure for Growth (CIG), Global Future Cities Programme (GFCP), Global Infrastructure Programme (GIP), Construction Sector Transparency (CoST) Initiative, and the Community-Led Infrastructure Finance Facility (CLIFF) Phase 2B. Figures are based on the latest DevTracker figures, accessed 23 April 2024.

74 This includes: UK Expertise for Green Cities and Infrastructure Programme (GCIP), and the Urban Climate Action Programme (UCAP). Figures are based on the latest DevTracker figures, accessed 23 April 2024.

portfolio-level monitoring and evaluation to systematically track programmes' results. This was a problem prior to the merger, where further work was required to understand what has worked, what hasn't and why, especially in the context of cross-government teams or initiatives. ICAI's experience through our request for information demonstrated the weakness of FCDO's systems and understanding of the portfolio. For example, in South Africa, FCDO's in-country urban team, which evolved out of the FCO-managed GFCP under the Prosperity Fund, was not aware of a previous DFID-funded programme, Strengthening Local/Municipal Service Delivery in South Africa, despite programme staff still working in the same office at the British High Commission in Pretoria. While ICAI's initial collation of data on the sustainable cities portfolio is a starting point, a systematic mapping of the entire sustainable cities portfolio is yet to be conducted.

#### There is insufficient coordination between central departments and in-country teams delivering aid for sustainable cities

- 4.82 There is a premium on country-led inputs into the design of centrally managed programmes for sustainable cities, given the context-specificity of programming in cities and the importance of engaging with subnational governments, cities and other local authorities in addition to national governments. Embassies and high commissions often have greater depth of experience than central teams, due to stronger relationships with political leaders, city officials and other subnational stakeholders, often through their national staff. On the other hand, centrally managed programmes can result in some efficiencies, helping to reduce administrative costs and share learning where programmes have common challenges and where embassies and high commissions lack expertise or capacity.
- 4.83 Although centrally managed programmes such as CIG and ICED were designed to be demand-driven and context-specific, there has been limited coordination and ineffective leveraging of in-country teams' expertise and experience. ICED faced significant challenges in the first two years of implementation due to a lack of coordination between former DFID central teams and country offices. On the other hand, the ACRP is a positive example of engagement with embassies, although it demonstrates their limited ability to influence the scope of the programme since its design was already established centrally.
- 4.84 Both Indonesia and South Africa noted a lack of coordination between centrally managed and country-led programmes. The larger number of centrally managed programmes in the sustainable cities portfolio, many of them with relatively small budgets but working through diverse spending channels, risks draining in-country resources and placing pressures on staff. This makes it more challenging for embassies and high commissions to access and manage different pots of funding to promote sustainable cities meaningfully. This led the Indonesia country team to create its own umbrella programme structure in order to add coherence to its own portfolio, as well as to present a coherent position externally.
- 4.85 The extent to which embassies and high commissions have been able to capitalise on their own experience to deliver demand-driven and context-specific responses for sustainable cities also varies depending on the skills and scale of infrastructure and urban teams. For example, in South Africa there is a large British High Commission in Pretoria with a dedicated infrastructure and an urban adviser who is well connected to key ministries and subnational actors to enable programming and coordination. On the other hand, while there are supposed to be a set of embassies with dedicated cities and infrastructure specialists, these positions have not been filled. Instead, FCDO has relied on Development Directors or Counsellors to coordinate action for sustainable cities, which is unlikely to work in most cases. The success of this engagement, however, is enabled where cities form a part of the country strategy.

#### There is limited coordination between FCDO's central team and British Investment Partnerships to promote action for sustainable cities

- 4.86 Since a recent International Development Committee (IDC) enquiry, there has been a strong impetus to improve coordination between FCDO's Resilient Cities and Infrastructure Team and British Investment Partnerships (BIP),<sup>75</sup> including BII and PIDG as its private sector arms. The need to drive the effective

75 BIP is an institutional mechanism created by the UK government which brings together a range of financial instruments and expertise to help incentivise investment into developing countries. This includes BII and PIDG, as well as Centres of Expertise which will channel technical expertise and policy advice from the UK to its country teams overseas.

coordination of UK financial instruments, technical assistance and strategic partnerships to achieve maximum impact was recommended by the IDC, and acknowledged and accepted by FCDO in 2023.<sup>76</sup>

- 4.87 BII and PIDG expressed an interest in cities and recognised that the opportunities and challenges of investing in cities had become more important. To date, BII and PIDG have invested in urban infrastructure and services, including the construction and real estate, industrial infrastructure, energy transitions, water supply, transport and waste management sectors with an urban footprint. Their ambition to continue investing in urban infrastructure and promote urban resilience has been clear, especially where there is a strong link with climate in large urban centres. BII acknowledged that cities and urban infrastructure were becoming a significant focus of investments by its Construction and Real Estate and Infrastructure and Climate teams, and sustainable cities are cited in PIDG's 2023-30 Strategy and relevant to its own internal Housing Strategy. BII and PIDG have also recently invested together in the Urban Resilience Fund, which supports cities in delivering critical resilience infrastructure projects in Europe and Africa. PIDG provided \$2.3 million to the Fund's Catalytic Capital Fund to support technical assistance requirements in countries where PIDG operates,<sup>77</sup> while BII invested \$20.8 million to help deliver high-impact urban resilience projects in selected African cities.<sup>78</sup>
- 4.88 Many stakeholders we consulted highlighted that there should be a greater role for these institutions in financing cities. However, over the review period, it was not clear to us what BII and PIDG's roles and objectives were in urban infrastructure, as neither organisation had articulated explicit strategies or objectives related to sustainable cities beyond PIDG's Housing Strategy, actively targeted the municipal level, or understood the scope of FCDO's own priorities on sustainable cities or who the key points of contact were within the organisation.
- 4.89 Over the review period, there has been only ad hoc engagement between FCDO and BII on sustainable cities, despite FCDO's ambition to improve coordination. BII's investments in urban infrastructure are not generally presented as part of the UK's sustainable cities offer. Other donors have done better at connecting technical assistance grants and loans for sustainable cities. For example, the French Development Agency's (AFD) sustainable cities strategy highlighted how the agency would jointly work with its development finance institution, Proparco, to mobilise the private sector for the financing of municipal infrastructure, including waste, transport, water and housing.<sup>79</sup> The Japanese International Cooperation Agency (JICA) also takes an integrated approach, combining upstream technical support with downstream financial assistance to create actionable master plans.<sup>80</sup>
- 4.90 BII coordinates with FCDO centrally through its shareholding team and in-country through Country Perspective strategies to identify and align on priorities, although sustainable urbanisation is only an explicit area of priority for investment if identified by embassies or high commissions. In 2019, DFID reported working with BII to develop its Construction and Real Estate strategy to help ensure investments considered wider urban settlement issues, which appears to be the first strategic engagement in this area. However, BII highlighted that the area of sustainable cities presented unique challenges for coordination, citing a lack of awareness of who at FCDO works on sustainable cities. It is harder to find out because of the breadth of the topic. On the other hand, BII also highlighted the need to ensure alignment in planning efforts between FCDO projects and potential investments by BII in this area, especially where technical assistance is linked to investment mobilisation. For example, the FCDO-funded Sustainable Urban Economic Development (SUED) initiative, which supports municipalities in Kenya to develop sustainable urban economic plans that attract investment for climate-resilient infrastructure and value chain projects, suggested scope for coordination with BII in affordable housing. Similarly, in India, the Smart Urban Development in India and Technical Assistance for Smart Cities programmes identified BII as a recommended instrument to help expedite the uptake of bankable

76 This is also highlighted under Recommendation 6 in *Investment for development: The UK's strategy towards development finance institutions: Government response to the Committee's Ninth Report of Session 2022-23: First Special Report of Session 2023-24*, International Development Committee, December 2023, [link](#).

77 *PIDG technical assistance*, Private Infrastructure Development Group.

78 *Urban Resilience Fund B – International Municipal Investment Fund SCSp*, British International Investment, accessed April 2024, [link](#).

79 *Focus – Sustainable cities*, Agence Française de Développement, 2020, [link](#).

80 *Thematic guidelines on urban and regional development – Second edition*, Japan International Cooperation Agency, February 2017, [link](#).

projects through preparation and structuring support to ‘smart cities’. However, these links were not actively explored by FCDO or did not appear to gain traction.

- 4.91 There is more structured coordination between PIDG and FCDO both centrally and with embassies and high commissions, particularly around affordable housing. PIDG identified FCDO as playing a crucial role in shaping the enabling environment for investments, serving as a source of policy advice, and facilitating collaboration with UK officials and key government figures to help understand and support strategic decisions in different markets. In the sampled PIDG affordable housing investment in Kenya, the investment was enhanced by the facilitation provided by in-country FCDO and PIDG teams. The SUED programme also involved PIDG directly on its programme board to help identify potential sources of financing for climate-resilient infrastructure and value chain projects identified, and options to transfer the responsibility of attracting investment into this sector to PIDG. Beyond this, however, there were few instances of FCDO and PIDG directly collaborating on other aspects of sustainable cities. PIDG was not always aware that the UK was funding technical assistance and feasibility studies on sustainable cities which could potentially link with PIDG investments.
- 4.92 There has been an indirect, incidental form of coherence between DESNZ via the International Finance Corporation (IFC), BII and PIDG as a result of the Market Accelerator for Green Construction programme’s Excellence in Design for Greater Efficiencies (EDGE) green building certification. EDGE aims to improve the construction sector’s resource efficiency and mitigation efforts, and its alignment to infrastructure and private sector investment vehicles, by providing evidence on green buildings’ energy performance and financial viability. BII and PIDG have progressively adopted EDGE certification in their investments, including in hospitality, retail, residential and industrial developments such as logistics. These include investments sampled as part of this review. BII signed a memorandum with IFC in 2015, and committed further in 2021 to standardise EDGE in future investments. Despite this, there is no indication that choosing EDGE was driven by the UK, but rather influenced by engagement with IFC and market trends, recognising EDGE’s growing global uptake among investors for green building investments.

#### Mechanisms to improve the coherence of UK aid on sustainable cities need reinforcement if they are to succeed

- 4.93 FCDO’s Infrastructure and Urban Cadre is one of 13 advisory cadres within FCDO, led by a Head of Profession and involving Infrastructure and Urban advisers. It is regarded as one mechanism to promote the coherence of UK aid for sustainable cities. Infrastructure and urban advisers, often embedded in embassies and high commissions, identify and design strategies, interventions and programmes that are evidence-based, are tailored to different contexts, and support reform at scale. They are also expected to partner with other FCDO directorates. Collectively, the cadre ensures that FCDO maintains the depth and breadth of its infrastructure and urban experience and expertise. The *Handbook on urban development*, developed under the ICED programme in 2019, was a useful asset for programming in lieu of a fully staffed cadre of advisers.
- 4.94 However, the cadre has fluctuated in numbers in recent years, hindering the UK’s ability to ensure strategic coherence for sustainable cities. The cadre fell from 49 accredited advisers in 2017, driven by the 2015 Growth for Policy Framework and the Economic Development Strategy, to 38 in 2023, including the loss of five senior advisers and dropping around the time of the merger. The ‘urban’ aspect of the cadre has only started to gain prominence in the last few years, and has only begun contributing to a more coherent and effective offer on urban programming. For example, in February 2023, it held a hybrid learning day in London on “Urbanisation and the FCDO”, which provided a platform for exchanging best practices and identifying emerging policy priorities. This network may help strengthen urban programming, but the effect will only be seen in forthcoming business cases. In addition, a small cadre with difficulties in filling lost posts and low visibility within FCDO may lead to fewer opportunities to initiate new programmes and interventions in sustainable cities. It has recently been decided that the Infrastructure and Urban profession will be merged with the Climate, Environment and Energy professions into a single, larger cadre.

4.95 The Green Cities and Infrastructure (GCI) Centre of Expertise (CoE) is a new cross-government mechanism which is expected to ensure coherence centrally, at the country level, and with multilateral partners. The recent *White paper on international development* views centres of expertise as creating hubs of knowledge, learning and practice; and consolidating and increasing the profile of the UK's various networks and expert pools into one coherent offer. The GCI CoE is part of the BIP approach that aims to deliver UK expertise to support "honest, reliable and resilient infrastructure needs of Asia, Africa and Latin America".<sup>81</sup> The GCI CoE will potentially enable embassies and high commissions to expand infrastructure and cities programming across a greater range of geographies and sectors. It is coordinated by a steering board which, as of February 2023, brings together FCDO central and regional directorates, FCDO programme stakeholders including UK PACT, BIP instruments including the BII shareholding team and PIDG, as well as other government departments including the Department for Business and Trade and UK Export Finance. This is expected to provide coordinated technical expertise and leadership to develop and implement new initiatives. The GCI CoE is still in the early stages of development, and it is too early to judge its contributions. However, questions about roles, responsibilities, skill sets and incentives of different UK entities will need to be answered. For instance, urban advisers are perceived to lack the necessary climate-related expertise to advance the GCI CoE and other programmes addressing green or climate-resilient infrastructure. This will not be instantly solved by the merger of the two cadres.

#### The UK collaborated well with bilateral and multilateral development partners through individual programmes earlier in the review period

- 4.96 The UK has generally collaborated effectively with other bilateral development agencies when co-funding programmes. As part of the multi-donor group funding the Cities Finance Facility under CLIC, the UK was regarded as a proactive donor working with Germany, the US and France in a governance structure where donors came together to set its strategic direction. We also found reasonable collaboration with other bilateral development partners in South Africa. While engagement was ad hoc and relied on informal exchanges, national government officials highlighted the UK's ability to complement the efforts of other donors. In particular, the UK cooperates with the Swiss State Secretariat for Economic Affairs (SECO) through the National Treasury's City Support Programme and the newer Urban Resilience programme, and previously cooperated with Germany's main international development agency, Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ) through the Governance Support Programme. However, in Indonesia, bilateral development agencies noted that there were missed opportunities for collaboration, where potential leads were not taken further, at a time when the UK's funding line became uncertain after ODA budget reductions and the merger.
- 4.97 The UK has also been a proactive collaborator with multilateral development agencies, but only when they have been involved as a delivery partner. With regard to ADB, the UK's MCRUP programme was instrumental in pushing forward work on climate and resilience, which at the time was a very new area for ADB. Similarly, as part of the programme, the UCCRTF component's focus on the urban poor and engagement with civil society was also unique at the time in its programming, and the UK had been important in developing this investment line at ADB, which now invests more widely in resilience and aims to be 'Asia's Climate Bank'. In addition, a multilateral agency in Bangladesh reported that NUPRP was working well with the UK, and felt the UK was an engaged and cooperative donor valued for its effectiveness, innovation and good analysis. The World Bank also cited DFID-funded research into African cities under its Research on Growth and Urbanisation in Low-Income Countries programme from 2014 to 2019 as a positive example of coordination, as the research created incentives for researchers to focus on African cities at a time where this was neglected.
- 4.98 However, these results are observed for programmes implemented at the beginning of the review period, and there is less evidence of effective collaboration with other bilateral and multilateral development partners in promoting sustainable cities in recent times.

81 *UK expertise for green cities and infrastructure: Information note*, Foreign, Commonwealth and Development Office, March 2022, unpublished.

## The UK has failed to communicate to other development partners its comparative advantage on sustainable cities, which undermines more systematic collaboration

- 4.99 The importance of coordination on sustainable cities has been clearly recognised over the last few decades, including by the UK. The literature underscores the pivotal role of international aid and cooperation in supporting sustainable cities,<sup>82</sup> which was also recognised by DFID over the last few decades, highlighting that funding in urban areas was modest, required coordination of bilateral and multilateral parties, and that a lack of concerted action resulted in limited returns to the scale and nature of engagement and investment in urban issues.<sup>83</sup>
- 4.100 The UK has been explicit in its intent to work multilaterally and in collaboration on shared goals, given multilateral agencies' significant resources, longstanding experience in urban development, and ability to produce scalable and cost-effective solutions. For example, the World Bank has a strong focus on cities, with an active portfolio of 231 projects amounting to \$33.9 billion, and an average investment of \$5 billion in urban development and resilience projects every year.<sup>84</sup> The UK has also intended to use the levers it has available to influence other donors and shape debates on urban development, including at international events and through the use of its knowledge networks. For example, it had purposely chosen programme delivery partners with a view to forming coalitions of like-minded actors working in the urban space in earlier programmes, including its research programmes which aimed to contribute where it seeks to be active, such as the Cities Alliance, Coalition for Urban Transitions, International Growth Centre and the C40.
- 4.101 According to development partners and other stakeholders, while the UK has considerable expertise to offer, they have noted a decrease in its engagement and a lack of continuity. They are no longer clear as to what the UK offer is, including where its strengths and comparative advantages are, and suggest the UK is not investing sensibly in activities that will complement what other larger donors are doing. Early partnership meetings between FCDO and the African Development Bank (AfDB) and World Bank highlighted an intention to find areas of synergy and collaboration on sustainable cities. For example, between DFID and the World Bank, this included the mobilisation of private finance, and to identify where the UK could support the Bank's ability to address cities. However, it was not clear if any actions resulted from these previous engagements. Large multilateral funders working on sustainable cities have said that they would like to work with the UK. However, they no longer have the networks or contacts to set up opportunities. The AfDB expressed a clear wish to develop closer links with the urban team in FCDO.
- 4.102 This is partly due to the substance of what the UK is able to offer in the current context, which is reflected in a lack of funding and low numbers of staff. However, it also reflects the lack of a clear outward-facing statement of the UK's objectives, the inconsistency of messaging across its own strategic documents, and a patchy (at best) grasp of the sum of UK sustainable cities programming, which hinders its ability to present a cohesive narrative. For instance, FCDO has produced a range of strategy documents on sustainable cities,<sup>85</sup> although none of these have been presented or published more widely to provide a comprehensive or clear view of the UK's policy positions. This was also summarised in DFID's internal case for an IDCU, which identified the need to develop an international urban policy. The only public position currently is in the ICF 3 strategy which identifies Sustainable Cities, Infrastructure and Transport as a priority, although ICAI found that this remained the least visible and funded of the four ICF priorities,<sup>86</sup> and a brief reference to cities in the white paper.<sup>87</sup>
- 4.103 By contrast, other donors, including those smaller than the UK, have published clear statements or strategies of their position and approach to promoting sustainable cities, including key areas for cooperation. More detail can be found in **Box 8**.

82 *International cooperation in pursuit of sustainable cities*, Atkinson, A., Development in Practice, May 2001, [link](#); "Multi-stakeholder partnerships (SDG #17) as a means of achieving sustainable communities and cities (SDG #11)", MacDonald, A., Clarke, A., Huang, L., Roseland, M. and Seitanidi, M. M., in Leal Filho, W. (ed.) *Handbook of sustainability science and research*, October 2017, [link](#).

83 *Cities: The new frontier*, Department for International Development, March 2010, [link](#); *Improving donor support for urban poverty reduction*, Banks, N., The United Nations University World Institute for Development Economics Research, November 2015, [link](#).

84 *Urban Development Strategy*, World Bank, accessed 9 April 2024, [link](#).

85 Including the *Growth for policy framework*, *Economic development strategy*, *Urban best buys*, *Urban handbook*, and a post-merger internal strategy on sustainable cities.

86 *UK aid's international climate finance commitments: rapid review*, Independent Commission for Aid Impact, February 2024, [link](#).

87 *International development in a contested world: ending extreme poverty and tackling climate change: A white paper on international development*, Foreign, Commonwealth and Development Office, November 2023, [link](#).

## Box 8: Other donor approaches to sustainable cities

The French Development Agency (AFD) has published annual activity reports on urban development and support for local authorities since 2019, which include key figures on funding commitments and results.<sup>88</sup> In 2020, AFD published its *Sustainable cities strategy*,<sup>89</sup> which intends to move its existing portfolio of settlement improvements and investments in basic services towards a more cross-cutting approach.

German development agencies, including BMZ, GIZ and KfW, have identified sustainable urban development as a key priority,<sup>90</sup> and have published position papers and booklets on their role in sustainable cities and urban development.<sup>91</sup> Germany's approach focuses on improving city governance and creating enabling conditions for better, liveable cities and integrated urban development, including urban planning and access to finance.

The Swiss Development Agency (SECO), while it is a smaller donor and does not have an official strategy, has clearly identified urban development and infrastructure services as a key priority of its international cooperation. SECO has developed fact sheets which detail its principles, approach and priorities for implementation, including urban governance, urban climate change resilience, urban mobility, urban energy management, and water and wastewater management.<sup>92</sup>

The Japan International Cooperation Agency (JICA) packages urban and regional development together as one of its prioritised thematic issues, drawing on its area of comparative advantage.<sup>93</sup> JICA has published various resources outlining its rationale and approach to urban and regional development, which includes the creation of sustainable cities, promotion of environmental protection and disaster risk management, disparities reduction and development, collaboration with stakeholders to develop legal frameworks for urban development, and post-disaster and post-conflict reconstruction support.<sup>94</sup>

## Conclusions on coherence

4.104 UK aid for sustainable cities is not being managed as a coherent whole across the variety of relevant delivery channels and instruments, and there are missed opportunities to work across government to enhance effectiveness – for example, by leveraging the knowledge and skills of different departments, and by aligning technical assistance programmes and UK development investment. Although there is a premium on country-led inputs into the design of centrally managed programmes for sustainable cities, given the context-specificity of programming in cities, there is insufficient coordination between central departments and in-country teams. While the UK has had some success in influencing bilateral and multilateral development partners, it has failed overall to communicate its role and comparative advantage on sustainable cities, further hindering its ability to promote coordinated and effective actions in this area. We therefore award an **amber-red** score for coherence.

88 *Urban development and support for local authorities – activity reports*, Agence Française de Développement, 2019, [link](#); 2020, [link](#); 2021, [link](#); 2022, [link](#).

89 *Focus – Sustainable cities*, Agence Française de Développement, 2020, [link](#); *AFD and sustainable cities*, Agence Française de Développement, 2020, [link](#).

90 *Responsibility for our planet – Climate and energy: BMZ Strategies*, BMZ, 2021, [link](#).

91 *Position paper – Sustainable urban development*, BMZ, 2023, [link](#); *Creating sustainable cities*, BMZ, 2016, [link](#); *Managing urbanisation – Towards sustainable cities*, BMZ, 2014, [link](#).

92 *Urban development and infrastructure services*, SECO, accessed 25 March 2024, [link](#). For example, SECO has developed a two-page fact sheet on 'Developing cities sustainably'.

93 *Urban and regional development*, Japan International Cooperation Agency, accessed 8 April 2024, [link](#).

94 *Thematic guidelines on urban and regional development – Second edition*, Japan International Cooperation Agency, February 2017, [link](#); *JICA's position paper on SDGs: Goal 11*, Japan International Cooperation Agency, September 2016, [link](#); *Urban management for liveable and sustainable cities*, Japan International Cooperation Agency, May 2023, [link](#).



## 5. Conclusions

- 5.1 The UK's approach to aid for sustainable cities is broadly aligned with the sub-goals of Sustainable Development Goal (SDG) 11 and has expanded its scope over time beyond infrastructure to include a focus on planning, climate resilience and municipal finance. Foreign, Commonwealth and Development Office (FCDO) programmes generally align with local and national priorities and incorporate local stakeholder perspectives. The UK has also supported city networks and partnerships with think tanks, research institutions and other development partners. UK support for cities was well aligned with official policy in the two countries we visited, Indonesia and South Africa.
- 5.2 However, the UK has not produced a public statement of how it intends to contribute to SDG 11 beyond a section of its climate strategy and a brief reference in the *White paper on international development*, resulting in a lack of clarity on priorities and how the UK sees its comparative advantage. The UK has had a long-stated intention to extend its support beyond primary cities to secondary cities, but has made only limited progress. Some UK sustainable cities programmes lacked credible links to poverty reduction and inclusion, and engagement with the informal sector.
- 5.3 The rationale for prioritising some sectors over others remains unclear. For example, FCDO has decided against providing technical assistance to improve the regulatory environment for affordable housing, while this remains a priority for British International Investment (BII) and the Private Infrastructure Development Group (PIDG), although they find it challenging to make this inclusive of groups on incomes below levels that are usually acceptable to commercial providers. Yet ensuring a sound institutional and regulatory environment as well as a proven model for private investment in affordable housing, which is not yet identified, is critical. The UK's focus on climate change in its urban development programming has not historically been strong, and although it has increased, attention to adaptation and nature-based solutions (NBS) remains limited. While the UK has supported the development of some NBS pilots, these have been small-scale and have not yet generated transferable lessons.
- 5.4 The UK has a strong track record supporting urban and economic plans that aim to reduce poverty. It has helped cities improve their master plans and associated documents, and strengthened data, information and knowledge to support city planning. There is early evidence that in some instances this support is now being translated into investment plans. The UK has also had success supporting revenue administration and public financial management in cities. UK programmes have supported climate action including mainstreaming resilience into urban planning and associated processes and tools, especially in South-East Asia and Africa. Most programmes have mainstreamed gender, equity and social inclusion.
- 5.5 There have been excellent individual examples of UK institutions, including BII and PIDG, leveraging private finance into urban projects that benefit the poor. However, the UK has not mobilised significant private finance, nor has it had demonstrable market-building effects in financial markets. Technical assistance for urban projects has not adequately embedded plans to mobilise finance for their execution, undermining the value of this assistance. The scale and duration of a typical UK aid programme is not always sufficient to fully implement complex urban infrastructure projects.
- 5.6 Despite examples of interventions that have been both relevant and effective, a lack of consistent cross-portfolio monitoring has hampered lesson learning and strategic management of the portfolio. This makes assessing the relative effectiveness of different intervention types difficult and makes it particularly difficult to measure the likely downstream impact of the portfolio as a whole.
- 5.7 Although UK programming is relevant and effective, fragmentation across the UK's programmes and investments hinders coordinated action and more effective delivery. Effective city development requires shared objectives and close partnership with, and buy-in from, the subnational actors who lead and manage cities. This places a premium on country-led inputs into the design of centrally managed programmes for sustainable cities. Yet there is insufficient coordination between central departments and in-country teams delivering aid for sustainable cities. There is also limited coordination between

FCDO and British Investment Partnerships instruments to promote joined-up action for sustainable cities. Mechanisms to improve the coherence of UK aid on sustainable cities need reinforcement to succeed.

- 5.8 The UK has collaborated well with most bilateral and multilateral development partners through individual programmes since 2015, but should coordinate its urban programming more with others, such as with the African Development Bank. Overall, however, the UK has failed to communicate its comparative advantage to other development partners, which undermines more systematic collaboration to promote action on sustainable cities.

## Recommendations

We make the following recommendations:

**Recommendation 1:** The UK needs to conduct a portfolio-wide evaluation of its interventions to support sustainable cities to better understand what has been effective, both in central and country-based programming, and to assure value for money.

Problem statements:

- There is no comprehensive view within the UK government of how and where UK aid has collectively supported sustainable cities.
- FCDO has not conducted a value for money analysis of different delivery channels.
- There is inconsistent monitoring, evaluation and learning in sustainable cities programming.
- The UK does not gather sufficient results data from its interventions, nor does it have any portfolio-wide strategic performance indicators to enable it to monitor and evaluate the progress and impact of its work on sustainable cities.
- FCDO embassies and high commissions do not have sufficient opportunities to reflect their experience with mayors and city officials in central programming for sustainable cities.

**Recommendation 2:** Following the portfolio evaluation, FCDO should convene UK departments and external partners in a collective strategic planning process for sustainable cities work.

Problem statements:

- There is a lack of clarity internally within government, and externally, about what the UK's role in promoting sustainable cities is and where its comparative advantage lies.
- There is no clear consensus on the policy objectives and priorities for sustainable cities development.
- Decreasing resources for sustainable cities, including staff and budgets, have resulted in a thinly spread portfolio which is less visible and does not make the best use of its scarce resources.
- Opportunities to ensure that promoting sustainable cities and other interrelated development objectives such as climate action, health and transport are mutually reinforcing are not being realised.
- The International Climate Finance strategy is not driving sustainable cities programming despite it being one of the strategy's four priority pillars.
- The Green Cities and Infrastructure Centre for Excellence, as well as the Urban and Infrastructure Cadre, are not yet driving coherence.

**Recommendation 3:** British International Investment (BII) and the Private Infrastructure Development Group (PIDG) should develop a credible model for supporting affordable housing for people in the bottom 40% income category in any country, drawing on learning from other development finance institutions and the development capital portfolio.

Problem statements:

- BII and PIDG continue to make investments in housing without a viable model of provision that is affordable for people on incomes below levels that are usually acceptable to commercial providers.
- The criterion set by PIDG to define target users of affordable housing as having income below the top 20% is not sufficiently focussed on the needs of the urban poor, especially those living in informal settlements.
- FCDO has ceased to provide grants towards affordable housing, which reduces the UK's leverage over regulatory reforms that could help maximise the value of investments through BII and PIDG.

**Recommendation 4:** The UK should better align its technical assistance in urban settings with securing private and public finance.

Problem statements:

- Technical assistance to promote sustainable cities has mobilised limited private finance for sustainable cities.
- The design of technical assistance has not engaged financial actors at an early enough stage to support the mobilisation of finance needed to execute urban master plans or climate-resilient investment plans and urban infrastructure projects.
- Technical assistance is not coordinated often enough with the UK's multilateral partners, such as the Asian Development Bank, African Development Bank and World Bank.
- FCDO and British Investment Partnerships (including BII and PIDG) have not sufficiently realised opportunities to collaborate in sectors of importance to SDG 11.
- The scale and duration of a typical UK aid programme is not always sufficient to help unlock public and private investments.

**Recommendation 5:** The UK should rebalance its investments in climate action in urban settings towards climate adaptation (relative to mitigation).

Problem statements:

- The UK is falling behind its commitments to climate adaptation finance, with spending on adaptation in 2023 dipping below 40% of climate finance.
- Climate vulnerability and adaptation in cities is a limited part of the UK's programming despite its critical importance, especially in low- and lower-middle-income countries.
- The portfolio's greater focus on climate mitigation has resulted in missed opportunities to target the urban poor and deliver co-benefits of poverty reduction and resilience.

**Recommendation 6:** The UK should support development and investment in urban nature-based solutions (NBS) as a key solution for climate adaptation and resilience in developing countries.

Problem statements:

- The UK's support to nature-based solutions in urban contexts has been small-scale.
- The UK has not proactively targeted support for NBS.
- There is no longer any programme in the UK's urban portfolio that specifically incorporates NBS into its approach.
- The UK's support for NBS has not yet generated transferable lessons.
- There is no work being done to mobilise private capital for NBS or provide development capital for them through BII.

**Recommendation 7:** The UK should develop mechanisms for seeking reimbursement, or co-finance in cash or kind, from the partner country for its technical advisory services for sustainable cities in upper- and lower-middle-income countries.

Problem statements:

- UK aid for sustainable cities is a scarce resource and contributing grants to middle-income countries reduces the resources available to support sustainable cities in the poorest countries, which are the UK's development priority.
- City leaders are less likely to demand results from projects when they are not required to contribute resources of their own.
- Scarce resources are currently being provided to city leaders in richer middle-income countries which could afford to contribute more.



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